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NOVEMBER, 1980

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### **Current History**

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# Current History

NOVEMBER, 1980

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Current economic and political conditions in Canada are highlighted in this issue. Canadian politics have recently suffered a major upheaval; as our introductory article points out, "While it is difficult to forecast the eventual arrangements and how they will be reached, Trudeau seems to have considerable public support in his insistence on a constitution made in Canada and on the need for the provinces to share their economic good fortune with those less fortunate all under an umbrella of a federal government with substantial authority."

### An Electoral Turnaround in Canada

BY PETER REGENSTREIF

Professor of Political Science and Canadian Studies, University of Rochester

N unprecedented electoral turnaround and growing regional and provincial conflict have characterized recent Canadian politics. The electoral upheaval was spectacular. The federal Liberal government of Pierre Elliott Trudeau was driven from office by the Conservatives led by Joe Clark in May, 1979, who in turn were defeated by Trudeau and his Liberals in February, 1980. Clark's government served the shortest term of any elected administration in Canadian history.

While Trudeau's majority electoral victory gives Canada some stability in federal politics, the relations among the provinces and between the provinces and the federal government are still a long way from being settled. Regional and provincial conflict was highlighted by a referendum vote in Quebec in May, 1980, and by growing interprovincial disagreement over energy and constitutional revision.

The Liberal party has monopolized power at the federal level throughout the 20th century. In the 85 years since they first took office in 1896, they have controlled the government for 73 years. When Clark and his Conservatives defeated them in 1979, they had been in control of the federal government since 1963, when Lester Pearson defeated John Diefenbaker. Liberal Trudeau succeeded Pearson in 1968 and carried on the Liberal tradition.

But this domination obscures a persistent fragmentation of Canadian political loyalties. Of the five elections between 1963 and 1979, three resulted in Liberal minority victories—one in 1972 by a margin of only 2 seats over the Conservatives (109-107)—and only two produced Liberal majorities, both under Trudeau in 1968 and 1974.

The Pearson and Trudeau administrations were supported by basically similar electoral coalitions: the Liberals won large majorities in their traditional stronghold of Quebec and won strong support in Ontario. Meanwhile, the Conservatives dominated western Canada, especially the Prairies, because of Diefenbaker's legacy of support there. Throughout this period, the Liberals were strongest among young voters, French Canadians, minority ethnic groups, Roman Catholics and people living in cities. Conservative support was drawn largely from Protestants, the elderly, and residents of small towns.

The "third party" on the fractured electoral scene is the New Democratic party (NDP), the successor to the democratic socialist Cooperative Commonwealth Federation (CCF), a product of the Great Depression and Prairie radicalism. Its representation was centered primarily on the Prairies and among working class and primary-producing areas in British Columbia and Ontario, with a little support in the Atlantic region.

Social Credit was yet another party with significant strength. Like the CCF, it emerged from the Depression and the dreadful conditions on the Prairies. But in the 1960's its support was almost exclusively in rural Quebec, where its populism and strident espousal of French Canadian nationalism won around 25 percent of the vote and more than 20 of the province's 75 seats in the House of Commons. By the 1970's, its support had diminished to 15 percent and some 10 seats, but it continued to reflect the difficulty of obtaining anything approaching a consensus at the electoral level.

The Liberals' ability to retain office was a reflection

1979:	Total		Atlantic		Quebec		Ontario		Prairies		B.C.	
	Vote†	Seats	Vote	Seats	Vote	Seats	Vote	Seats	Vote	Seats	Vote.	Seats
Lib.	40%	114	40%	10	62%	67	37%	32	22%	2	23%	1
PC	36	136	41	20	14	2	42	57	53	38	45	19
NDP.	18	26	19	2	5	<u>-</u>	21	6	23	9	32	8
SC	5	6	_		- 16	6	. *		1		*	· ·
0thers	. 1		*	_ ·	3		*	_	1	·— ·	* .	_
1980:				,						•		
Lib.	44%	146**	45%	19	68%	73**.	42%	52	24%	2	22%	_
PC	33	103 *	37	13	13	1	36	38	51	33	41	16
NDP	20	32	18		9	_	22	5	23	14	35	12
SC	· 2		<u>`</u>	_	6	·	*	_	*		*	· , —
0thers	2	_	*		4		*		1	_	1	

Table 1: THE 1979 AND 1980 FEDERAL ELECTIONS

of Trudeau's personal appeal and of their image—in areas other than the four western provinces—as the party of the "common man." Economic growth and general prosperity have accompanied the Liberal administrations, which have also instituted such broad social programs as a national pension plan and a health care system. However, after Trudeau's 1974 majority electoral victory, his administration appeared to lose its drive. In 1976, the Parti Québécois came to power in Quebec, sending shock waves through the entire political system and making Quebec the chief concern of the federal government. While inflation and unemployment mounted, three different ministers held the Finance portfolio in Ottawa. And after a decade in office, Trudeau's distinctive personal style began to wear on the electorate, most notably in Ontario, where people felt especially vulnerable.

The Quebec situation had a profound effect on Ontario voters, who have traditionally been the most nationalistic of all Canadians. The economic downturn had a special impact on Ontario, too. While the province was suffering, the West was booming, with Alberta in the forefront as a result of its petroleum reserves, which had made it the fastest growing province in the country since the oil crisis of 1973.

#### THE CAMPAIGN OF 1979

Trudeau postponed the election as long as he could, calling it for May, 1979, just before his term ran out. In the campaign, Clark, who narrowly became leader of his party at its 1976 convention, concentrated on economic issues and on the crucial region of Ontario. While attacking the Trudeau government's spending and high budget deficits, Clark promised tax cuts, special income tax credits for mortgage interest and property taxes, and reduced government involvement in the economy. He also held that Petro-Can, the public corporation that gave the federal government some representation in the petroleum industry, should

be sold to private industry and that several similar government corporations should be disbanded. In other words, Clark stood for a program of government retrenchment and support for the private sector on the order of the program put forward by British Prime Minister Margaret Thatcher, who came to power in Great Britain only a few weeks before he did.

When the Clark-led Conservatives narrowly defeated the Liberals, they won only 36 percent of the popular vote nationally and 136—a minority—of the 282 seats in the House of Commons. The Liberals captured 40 percent of the vote but only 114 seats, because their support was disproportionately strong in Quebec, where they swamped the opposition with 62 percent of the vote and 67 of the 75 seats. The NDP, with 18 percent, carried 26 seats while Social Credit, with 5 percent, won 6 seats, all in Quebec (see Table 1).

The Conservative victory depended on Ontario and the party's traditionally fine showing in western Canada. In 1974, out of 88 seats for Ontario, the Conservatives had won only 25, to 55 for the Liberals and 8 for the NDP. In 1979, Ontario's representation in Parliament was increased to 95 seats, and of these, 57 were won by the Conservatives, 32 by the Liberals, and 6 by the NDP. In the West, Yukon and the Northwest Territories, the Conservatives won 59 of the 80 seats to 18 for the NDP and only 3 for the Liberals.

Ontario had taken a "leap in the dark," casting its lot with the West and the Conservatives instead of with Quebec and the Liberals. It was risking a great deal. Participation in a coalition with Quebec in support of the Liberals had given Ontario voters the major voice in federal policy and all kinds of benefits over the years: tariffs to protect their massive secondary manufacturing industries and all the jobs that go with them; special transportation preferences; a well-developed and federally nurtured capital market; and

<sup>†</sup>Percentages sometimes do not total 100 exactly because of rounding.

<sup>\*</sup>Less than 1 percent.

<sup>\*\*</sup>Liberals added another seat in a by-election in the Quebec riding of Frontenac on March 24 to bring their national total to 147 and their Quebec total to 74.

cultural advantages, also heavily supported by the federal government.

In throwing in with the West, Ontario voters were joining hands with a region whose economic interests and life-style conflict with their own. The West has been complaining for 50 years that precisely those policies that have benefited Ontario have discriminated against the West. A primary-producing area, the West must sell its products—oil, grain, timber-at relatively low and unsupported world prices while being forced to pay high prices for Ontario's manufactured goods that the federal government has protected with tariffs. With the price of oil rising, with Ontario dependent on cheap energy to fuel its industries and remain competitive, and with Clark less disposed than Trudeau to interfere in the market place, it is a measure of the disaffection of the Ontario voters with Trudeau and the Liberals that they supported the Conservatives in 1979.

According to opinion surveys in Ontario at the time, it was the Conservatives, not the Liberals, who were now seen as the party most willing to do something for the average person, a marked change from the pattern of the previous 15 years: 36 percent favored the Conservatives as the party that would "do most to improve life for you and people like yourself." Only 27 percent chose the Liberals and 16 percent preferred the NDP.1

At the same time, it must be emphasized that the Conservatives were elected for essentially negative reasons. They were the means by which voters could drive Trudeau from office. And even while people were expressing their unhappiness with the Liberal leader, by a substantial margin they continued to claim he was more suited to handle the job of Prime Minister than Clark, or the NDP leader, Ed Broadbent.2 There was, therefore, a very brief "honeymoon" period for Clark and his Conservatives after they assumed office. Canadians were not willing to allow them much leeway to make mistakes. Within four months of their victory in May, the Tories were trailing the Liberals by 19 percentage points in the polls, and they went into the surprise 1980 election at that level.

Clark's poor personal image and his government's weak performance were equally responsible. Canadians who were accustomed to Trudeau's personal attractiveness could not get used to Clark's lack of style. In addition, he and members of his Cabinet were guilty of a series of political errors and flip-flops that had an obviously negative impact: Clark was compelled to go back on his promise to move the Canadian embassy in Israel from Tel Aviv to Jerusalem; because of the continuing deficit, the tax cuts which he had promised could not be granted; the

government said it intended to alter the family allowance system so that middle income families would no longer receive benefits since they did not need them (and, besides, the benefits were a drain on the treasury), but it was forced to retreat by an angry public.

Clark's attitudes toward the role of the federal government also produced consternation, especially in Ontario. In contrast to Trudeau, who was seen as an advocate of a strong central government in the controversy over the federal structure, Clark described the system of Canadian federalism he favored as a "community of communities." He underlined his willingness to allow the provinces more control by turning the federally run lottery, Loto-Canada, over to the provinces and by stating that offshore resources belonged to the provinces rather than to the federal government. Clark's threat to sell part of Petro-Can to private industry and his announcement that he would not participate in the crucial referendum debate scheduled for the following spring in Quebec were further disquieting indications of his philosophy of governing.

Meanwhile, through the summer and fall, the economic conditions that had originally prompted voters to support the Conservatives against the Liberals worsened; interest rates increased and inflation persisted. Despite the Conservative government's deteriorating position with the electorate, Trudeau resigned as Liberal leader in November, explaining that he had lost interest in the political give-and-take opposition required and that he wished to devote more time to his three young sons. The Liberals scheduled a leadership convention for the end of March, 1980.

With the Liberals leaderless, the Conservatives were lulled into believing they were safe from defeat in the House and would not be forced into an election. The adverse opinion climate in the country did not deter them from using the budget to demonstrate that their government represented a change from the high-spending Liberals. On Budget Night, Finance Minister John Crosbie called for curtailing government expenditures, projecting zero real growth in federal spending. While he did not levy any new income taxes, he announced an increased federal excise tax on gasoline of 18 cents per gallon in addition to a hike in the price of oil.

Despite Crosbie's promise of some dispensation for low and middle income groups to offset energy cost increases, Social Credit members of the House of Commons refused to support the budget without further relief for these groups. The government completely miscalculated, believing that some Liberals would absent themselves from the House to avoid voting against the budget because they would be unwilling to face an election without a leader. However, every Liberal who could showed up and on

<sup>&</sup>lt;sup>1</sup>Regenstreif Poll, Toronto Star, May 14, 1979, p. A6.

<sup>&</sup>lt;sup>2</sup>Regenstreif Poll, Toronto Star, May 13, 1979, p. 1.

December 13, two days after the budget was presented, the government fell, defeated by 139 votes to 133, by the combination of Liberals and the NDP with Social Credit abstaining.

Trudeau was immediately drafted by the Liberals to lead them once again; and while he conducted a low-key campaign, polls soon showed that he was personally more popular than Clark by a 2-1 margin. The same opinion polls revealed that voters strongly opposed the proposed budget policies of cutting back on government expenditures and fiscal restraint. People were also decidedly against the increase in gasoline prices; Trudeau and the Liberals attacked the increases as unfair to working people and lower and middle income groups. They promised that they would not impose the excise tax if elected. Economic issues coupled with Clark's poor showing in office defeated the Conservatives.<sup>3</sup>

In the election on February 18, 1980, Trudeau led the Liberals to a majority victory, capturing 44 percent of the vote and 146 of the 281 seats contested. (The death of a Social Credit candidate in a constituency in Quebec forced the election to be postponed there until the following month. The Liberals eventually won the by-election.) The Conservatives obtained 33 percent support and 103 seats, while the NDP had 20 percent and carried 32 seats. With only 2 percent support, Social Credit was shut out for the first time since 1958 (see Table 1).

Once again, as in 1979, Ontario was the critical region. Polling showed that after only nine months of the Conservatives in office, Ontario voters had reverted to their perceptions of the previous 15 years that it was the Liberals, not the Conservatives, who "would do most to improve life for people." The Liberals won 52 of Ontario's 95 seats, an increase of 20 from the last election, while the Conservatives won 38, a loss of 19, and the NDP captured 5.

The Liberals won all but one seat in Quebec, but out West they won only 2 out of 80, both in Manitoba. The Conservatives lost some there, too, emerging with 51, while the NDP had 27.

Having achieved this remarkable comeback and with a majority behind him, Trudeau turned to confront Canada's most vexing long-term political crisis: the relationship between the federal government and the provinces.

#### THE FEDERAL CRISIS

By 1980, Canadian federalism was in disarray, the result of social and economic changes and demands

on government that were unforeseen when the system was established over a century earlier. The federal government's confrontations with Quebec over the basic question of its place in Canada or its disagreement with Alberta over the price of oil have preempted the headlines and public consciousness. But virtually every aspect of public policy—from civil and language rights to resource ownership, communications, family law and taxing powers—are involved in the complex issues associated with federalism. As this is written, Canada's federal government is trying to write a new constitution that will undoubtedly reflect changes in the relations between Ottawa and the provinces that have developed over the last 30 years.

The country emerged from the Great Depression and World War II with a federal government dominant over the provinces because of Ottawa's leading role in dealing with those emergencies. But the situation was artificial; the British North America Act (BNA) of 1867, the founding document on which Canada's political order is based, and subsequent judicial interpretations and political arrangements gave ample leeway to the provinces to exert their authority should conditions and public attitudes provide a suitable environment.

The absence of an external threat, like a world war or some form of foreign aggression, and the tremendous prosperity of the 1950's began to direct Canadian eyes away from Ottawa toward the provinces and toward local concerns. This trend toward the provinces was reinforced by the coming to power of Jean Lesage and the Liberals in Quebec in 1960. Committed to bringing about what subsequently came to be known as "the quiet revolution," the Lesage administration demanded a greater role for the provincial government as opposed to the federal government in such areas as health care, pensions and taxes, so that Quebec could achieve its own objectives. These calls for more power for Quebec were intensified by succeeding administrations in that province.

In response to the clamor from Quebec, the governments of the other provinces also began making claims against Ottawa for more authority. Through the 1960's and the early 1970's, the federal government gave in. Pearson called the system that was evolving

(Continued on page 150)

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<sup>&</sup>lt;sup>3</sup>A more complete description of the Conservative budget and the issues of the 1980 election can be found in Stephen May and Peter Regenstreif, "A Fragmented Society Votes: The Canadian Election of 1980," *The Journal of the Institute for Socioeconomic Studies*, vol. 5, no. 2 (Summer, 1980), pp. 72-87.

<sup>&</sup>lt;sup>4</sup>Regenstreif Poll, Toronto Star, February 11, 1980, p. A12.

"Over the past few years, less emphasis has been given to the techniques and tactics of a joint or cooperative nature, and more to those tactics that stress the distinctive interests of the two countries."

# Canada and the United States: A More Distant Relationship

BY JOHN KIRTON

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OR at least the last quarter century, the Canada-United States relationship has appeared to most observers as a highly special or even a unique form of international association in the contemporary world. This stems first of all from the overwhelming disparities between the two countries in virtually all sectors of their interaction. The United States not only has a population almost ten times as large as that of Canada and an economy more than ten times as productive, but also possesses much larger leads in defense capabilities and assets; there is no Canadian equivalent in such areas as space exploration, military intelligence and scientific research.

A further element of specialness, bred by both disparity and a 5,000-mile common land and sea border, is the intense if somewhat unbalanced interchange between the two societies. The United States market accounts for over 70 percent of Canada's exports, generates 15 percent of its gross national product and hence provides one-half its jobs in goodsproducing industries, while Canada serves as the largest trading partner of the United States. The United States sends the largest share of its foreign investment to Canada and represents by far the largest foreign investor in the Canadian economy, while Canadians on a per capita basis invest an even greater amount in the United States. A similar situation exists in the exchange of people, reflected in the fact that over 70 million tourists annually cross the common border. When supplemented by the extensive network of integrated oil and gas pipelines and electrical transmission grids, and such massive joint public works as the Saint Lawrence Seaway and the Columbia River projects, this interchange not surprisingly fosters a continuing stream of problems over matters like trade restrictions, the extraterritorial

To cope with this plethora of problems, the two governments have developed a style of negotiating behavior that differs markedly from the intense political bargaining that characterizes most international discussions. Since the collapse of the world economy and the rise of Hitler's Germany in the 1930's first forged active Canadian-American cooperation under the umbrella of the 1938 trade agreement, the 1940 Ogdensburg Declaration and the 1941 Hyde Park Agreement, the two governments have sought to resolve their common problems less through formal bargaining and more through active and often highly informal meetings between the Canadian Prime Minister and American President, their respective ministers, and other officials of the two governments. Of particular importance are the more than 20 joint organizations created by the two countries, notably the International Joint Commission (1909), the Joint Canada-United States Committee on Trade and Economic Affairs (1953), the North American Air Defense Command (1958), and the Interparliamentary Group (1959). Within these channels a special "diplomatic culture" has emerged in which emphasis is placed on working from a common data base, sharing information and proposals, focusing on the most advantageous technical solution to issues, insulating problems from the general climate of the relationship or disputes in other issue areas, and consciously seeking outcomes that provide balanced and expansionary benefits. From these practices has flowed a set of solutions to bilateral problems that has equally represented the declared interests of both parties. Indeed it has been calculated that a strict equality of outcomes has been obtained in the 39 conflicts that secured the attention of the United States President from 1920 to 1970 and that a similar reciprocity has been present in 27 disputes stimulated by the activities of United States-owned multinational enterprises from 1945 to 1971.1

application of United States law to United Statesowned companies in Canada, the abatement of transboundary air and water pollution, and the management of offshore fisheries and continental defense.

<sup>&#</sup>x27;Joseph S. Nye, Jr., "Transnational Relations and Interstate Conflicts: An Empirical Analysis," in Annette Baker Fox et al., eds., Canada and the United States: Transnational and Transgovernmental Relations (New York: Columbia University Press, 1976), pp. 367-402 and David Leyton-Brown, "The Multinational Enterprise and Conflict in Canadian-American Relations," op. cit., pp. 140-161.

. This practice of pragmatic, peaceful and balanced problem-solving was elevated into a quasi-official policy in the form of a 1965 report entitled "Principles for Partnership."2 Stimulated in part by a series of acrimonious conflicts from 1960 to 1963 over such issues as Canada's response to the Cuban missile crisis and its acquisition of nuclear weapons and prepared by former United States Ambassador to Canada Livingston Merchant and former Canadian Ambassador to the United States Arnold Heeney, this report codified the concept of partnership as the key to the relationship, proposed the formation of no less than four new joint organizations, and advanced the principle, since known as "quiet diplomacy," that "wherever possible, divergent views between the two governments should be expressed and if possible resolved in private, through diplomatic channels.3

Paradoxically, the injunctions of the Merchant-Heeney report were issued just as the conditions required for their fulfillment were starting to erode. Perhaps the most salient factor in the erosion was the emergence of a global détente, which diminished the need for a close Canada-United States association in world affairs and allowed each state greater freedom to pursue its national interests. More particularly, the increasingly intense and unsuccessful American involvement in Vietnam raised doubts in Canada about American leadership in world affairs, prompted a flow of war resisters to Canada to reinforce those doubts, and left little time for the beleaguered administration of United States President Lyndon B. Johnson to deal attentively and generously with the more pacific problems of its ally and neighbor. The erosion of Canadian confidence was compounded by developments in the United States; an upsurge of racial tension and urban decay and a growing distrust of political leadership, culminating in Richard Nixon's resignation from the presidency, tarnished the moral attractiveness and social vitality that had long attracted Canadians to

<sup>2</sup>Livingston T. Merchant and A.D.P. Heeney, "Canada and the United States—Principles for Partnership," Atlantic Community Quarterly, Fall, 1965, pp. 373-91.

Community Quarterly, Fall, 1965, pp. 373-91.

3As cited in A.D.P. Heeney, "Independence and Partnership: The Search for Principles," International Journal (Spring, 1972), p. 165. See also John Sloan Dickey, "The Relationship in Rhetoric and Reality: Merchant-Heeney Revisited," International Journal, Spring, 1972, pp. 172-184.

'See respectively Stephen Clarkson, ed., An Independent Foreign Policy for Canada? (Toronto: McClelland and Stewart, 1968); Abraham Rotstein and Gary Lax, eds., Independence: The Canadian Challenge (Toronto: McClelland and Stewart, 1974); and Canada, Department of External Affairs, Foreign Policy for Canadians (Ottawa: Queen's Printer for Canada, 1970).

'Mitchell Sharp, "Canada-U.S. Relations: Options for the Future," *International Perspectives*, special issue, Autumn, 1972.

<sup>6</sup>James Eayrs, "Defining a New Place for Canada in the Hierarchy of World Powers," *International Perspectives*, May-June, 1975, pp. 15-24.

the United States. Moreover, within Canada itself, the self-confidence generated by the 1967 centennial year celebrations, the economic nationalism fueled by five years of ever-expanding prosperity, and the challenge from Quebec under the rubric of the "quiet revolution" stiimulated a series of reassessments. These reassessments led Canadians to want a foreign policy more independent of the United States and competitive or restrictive measures to stem the flow of American investment and culture; there was also a conviction that Canada's international behavior should be grounded more in its direct domestic interests and less in a desire to maintain the sympathy and partnership of the United States.<sup>4</sup>

As soon as the government of Pierre Elliott Trudeau entered office in 1968, these tendencies were reflected in Canada's changing approach to the United States. The 1968 decision to recognize the People's Republic of China, the 1969 reduction of Canadian North Atlantic Treaty Organization (NATO) forces in Europe, the 1970 assertion of Canadian jurisdiction over Arctic waters, and the 1971 declaration of Canadian opposition to United States nuclear tests in the Aleutian Islands all represented a clear Canadian detachment from United States policies on issues regarded by the United States as integral to its global security concerns. This process was given much greater force by President Nixon's sudden declaration of a new economic policy in August, 1971. The imposition of an import surcharge on Canadian goods entering the United States, the disclosure of a list of American trade irritants with Canada, the failure (when asked) to exempt Canada from the provisions of the surcharge, and the unwillingness of the American government to discuss meaningful compromises all prompted Canadians to undertake a major reevaluation of their relationship with the United States. The result of this effort was a 1972 statement, entitled "Options for the Future," which indicated a shift in Canadian policy toward diversification of its relations in the world at large, an arms-length approach to bargaining on bilateral issues, and a comprehensive long-term strategy to strengthen Canada's economic and social fabric at home. 5 When it was first issued. the options paper had a highly tentative character: critics were quick to point out that it had been made public in the midst of an election campaign and had been presented more as a scholarly article than as an official statement of government policy. In the wake of the 1973 energy crisis, however, and the belief that Canada's rich resources had propelled it into the position of a "foremost nation," the third option philosophy was translated into action in a number of

Beginning in early 1973, the Canadian government moved steadily to impose an export tax on and undertake a quantitative reduction of oil exports to the United States; it continued this policy despite the considerable concern it aroused in the United States and the difficulties it imposed on refiners and consumers along the northern tier. By 1975, a newly created Foreign Investment Review Agency had begun screening United States and other overseas investments to ensure that they met a wide variety of conditions in Canada's interest. At the same time, in an effort to strengthen the national fabric, the Canadian broadcasting industry had begun to prevent Canadian advertisers from using United States television stations beaming into Canada. In keeping with a Canadian decision in 1969 to stress the protection of Canadian sovereignty as the first priority in defense policy, in 1973 the Trudeau government renewed the North American Defense Command agreement with the United States for an unusually short period, only two years. And in the one issue that was consuming the attention of American officials and public, the Canadian government displayed reluctance to contribute to the supervisory force that would ease American withdrawal from Vietnam, passed a parliamentary resolution condemning the United States bombing of North Vietnam at Christmas time, 1972, and hurried to withdraw its contingent from the supervisory force in the spring of 1973. By January, 1975, Secretary of State for External Affairs Allan MacEachen had proclaimed the death of the Canada-United States "special relationship" and, in December of that year, the returning United States ambassador publicly warned that Canadian recalcitrance on a host of bilateral issues was fundamentally endangering the goodwill that Canada had traditionally enjoyed in the United States.7

These events reflected a major change in the way Canada-United States problems were treated within and between the two countries. Within Canada, a more coordinated and comprehensive approach emerged when, in 1974, the Department of External Affairs, on the Cabinet's behalf, began a regular inventory of the major issues in Canada-United States relations and on this basis proposed a unified strategy for managing the relationship in Canada's interest. From this flowed a new stress on defining unique national interests in advance, pursuing them without prior consultation with or warning to the United

States, and maintaining them in the face of considerable United States pressure. On the American side, similar efforts were undertaken to centralize the national management of Canada-United States relations and to deal with it in a framework consistently and directly linked to larger United States global interests. As a result, the emphasis on cooperative, technically based solutions diminished, the level of official and public conflict increased, and a common perception arose that Canada was gaining more from the bilateral relationship.

By 1976, however, there were several signs that this period of diversification, detachment and conflict was coming to an end, in the face of an increasingly threatening global and domestic environment. A major stimulus was the rapid erosion of the international economic order, as uncertainties over oil prices continued, floating currencies generated insecurity, and global stagflation persisted. Militarily the explosion of a nuclear device by India in 1974, the demise of the South Vietnamese regime in 1975, and the advent of a Marxist-oriented regime in Angola that same year hastened a process of increasing nuclear instability abroad and an erosion of American conventional power in Africa and Asia. A more direct factor was the November, 1976, election of an American administration impressed with the concept of an international directorate, in which North America, Europe and Japan would collectively guide the developed world economy and the international system. Moreover, the administration of President Jimmy Carter was, to a far greater extent than its predecessor, willing to rely on such multilateral forums as NATO, the Organization for Economic Cooperation and Development (OECD), and the newly instituted annual summits of the seven Western economic powers; it displayed a particular interest in restoring close, friendly open relations with its neighbors. In Canada, a special incentive to return this goodwill arose from the uncertainty generated by the November, 1976, election of a Parti Québécois government in Quebec, a government pledged to negotiate that province's withdrawal from the federation.

The renewed concern with cooperation was vividly demonstrated by the reception of Prime Minister Trudeau's speech to the United States Congress in February, 1977. The Prime Minister explained the relationship in terms that stressed (in language reminiscent of the Merchant-Heeney report) the basic friendship, intimacy and respect for each other's values that made the bilateral relationship a model for the rest of the world. More surprisingly, in a move that vividly symbolized the new lack of reserve in bilateral dealings, Trudeau publicly assured Congress that Canada would make accommodations to counter the separatist challenge to confederation and, implicitly, to the security of the United States.

<sup>&</sup>lt;sup>7</sup>Canada, Department of External Affairs, "Canada/United States Relations," *Statements and Speeches*, no. 75, p. 1. A Speech by the Secretary of State for External Affairs, the Honourable Allan J. MacEachen, to the Winnipeg Branch of the Canadian Institute of International Affairs, January 23, 1975.

<sup>&</sup>lt;sup>8</sup>Canada, Department of External Affairs, "Canada-United States Relations—A Model Admired by Much of the World," remarks by Prime Minister Pierre Elliot Trudeau to a Joint Session of the United States Congress, Washington, D.C., February 22, 1977, Statements and Speeches, op. cit; vol. 77, p. 4.

Giving empirical force to this philosophy were a series of Canadian initiatives that altered previous policy stands on major issues. In January, 1977, just as President Carter was taking office, the Canadian government offered emergency supplies of natural gas to a United States suffering from an acute shortage, declared its readiness to sign a bilateral pipeline transit treaty ensuring the integrity of the transborder lines, and halted its practice of randomly deleting the commercials accompanying United States programs on Canadian television. In September, at a summit meeting between President Carter and Prime Minister Trudeau in Washington, D.C., the two governments agreed in principle to the construction of an Alaska Highway natural gas pipeline designed in the first instance to transport Alaskan gas to the lower 48 states and, at a later stage, to carry northern Canadian supplies to southern Canadian markets. In the spring of 1978, further agreements were reached on a revised Great Lakes Water Quality Agreement and on an interim arrangement for managing the fisheries off the east coast.9 In the autumn Canada, in accordance with a United States request, decided to maintain its light crude oil exports at a constant level until 1981, instead of proceeding with an earlier phase-out. On overseas peace and security matters, the rapport established between Secretary of State Cyrus Vance and Secretary of State for External Affairs Don Jamieson facilitated close cooperation in the preparation of a plan for resolving the Namibian dispute and in fostering a durable settlement in Cyprus. Finally, a 1978 agreement by all NATO countries to maintain a real three percent annual growth rate in national defense expenditure formally ended the divergence which had arisen between Canada and the United States on that issue in the latter half of the 1960's.

The election of Prime Minister Joseph Clark's Progressive Conservative government in May, 1979, promised to carry this trend further. Both the Prime Minister and his Secretary of State for External Affairs Flora MacDonald wanted to lend greater support to the United States at home and abroad. Moreover, partly in an effort to distinguish their foreign policy from that of their predecessors, they sought deliberately to eliminate any possible anti-American overtones from the "third option" policy. Nonetheless, several factors of a more durable nature sustained the continuation (and prompted the eventual dominance) of an atmosphere of uncertainty and conflict.

Perhaps the most fundamental problem was a

further decline in international economic stability, caused by the oil price increase of 1979 and a further diminution in the reach of American political and strategic power. United States difficulties had been enhanced by the overthrow of the Shah of Iran, the Soviet invasion of Afghanistan, and the failure of the United States attempt to rescue the American hostages in Iran. Within the United States, the coming 1980 presidential election, combined with increas-. ing doubts about the prospect for President Carter's reelection, made the Congress even less disposed to follow presidential leads in providing solutions to Canada-United States problems. A severe recession in 1980 generated protectionist pressure in both Canada and the United States and inspired state governments, notably Minnesota, California and New York, to produce further obstacles to improved relations. And, more broadly, the post-Watergate trend toward congressional assertiveness continued, compounded by the absence (in Canadian eyes) of any powerful figures with an internationalist perspective in Congress, and a general fragmentation of authority in that body. At the same time, in Canada, provincial assertiveness continued to grow.

These forces generated a growing list of trade irritants in the bilateral agenda. In February, 1979, the United States Treasury Department decided to impose a countervailing duty on imports of a Honeywell optical sensing system produced in Canada, on the grounds that the research and development had been subsidized by the Canadian government. This decision prompted considerable Canadian concern about United States barriers to the development of a high-technology, export-oriented business sector in Canada. Further barriers to Canadian exports arose as over half of the state governments in the United States adopted overt or tacit "Buy American".acts, a process that culminated in June, 1980, with New York State's adoption of such a provision. Of even greater consequence, because it signified a new and potentially uncontrollable form of competition, was the dispute over subsidies offered by the Canadian and Ontario governments to induce the Ford Motor Company to locate a major new engine plant in Windsor, Ontario, rather than in Lima, Ohio.10

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<sup>&</sup>lt;sup>9</sup>The following discussion on individual issues is based on current press files summarized in *International Canada* and on interviews conducted with officials in Ottawa during the summer of 1980.

<sup>&</sup>lt;sup>10</sup>David Leyton-Brown, "The Mug's Game: Automotive Investment Incentives in Canada and the United States," *International Journal*, Winter, 1979-80, pp. 170-184.

"It is possible, in retrospect, to see the mid-1970's as a decisive turning point in the emergence of a new international system, holding the possibility of a fundamental redistribution of power and influence. . . In this context, various nations, including Canada, continued to search for solutions to pressing economic problems: high inflation, unemployment and escalating energy costs."

# Exploring the Third Option: Canadian Foreign Policy and Defense

BY FRED D. SCHNEIDER
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VEN a brief survey of Canada's foreign and defense policies must balance two factors that provide both context and perspective, complexity and continuity. While not a world power, Canada is a power with world interests, which are not always a mirror image of those of the United States. Old issues persist, especially in the area of Canadian-United States relations, but complicated new problems also require resolution. In 1972, the administration of Pierre Elliott Trudeau committed itself in principle to the development of specific policy postures to secure greater independence for Canada. It rejected laissez faire as well as closer integration with the United States and, adopting a "third option," began to devise policies designed to meet Canada's aspirations and to build on the nation's growing maturity and self-confidence. The operation and interaction of the factors of complexity and continuity and an exploration of the possibilities afforded by the third option, may be seen in three crucial areas: Canadian-United States relations, and Canada's relations with West Europe and with the third world.

It is axiomatic that Canada-United States relations are in a perpetual state of transition, but this has been especially true since World War II and increasingly in the decade of the 1970's. Largely because of the existence of close formal and informal ties linking the two nations and an underlying goodwill among the majority on both sides of the frontier, there has been no serious rupture of the Canada-United States relationship, but there have been moments of tension and —more seriously—a failure to resolve some of the fundamental issues that strain the relationship.

Following World War II, the links between Canada and the United States grew closer, partly because of policy decisions in Ottawa and Washington, and partly from the responses of individuals to the opportunities and incentives of market forces. As the process continued, however, more and more Canadians perceived a problem of sustaining their country's separate identity. The third option emerged in an

attempt by the Trudeau administration to mobilize this concern into support for a reversal of the continental, or integrative, tendency of economic forces on the North American continent. This decision rested, at least implicitly, on the hypothesis that integration was indivisible—that is, that economic integration by definition implied cultural, social and political integration as well; that the United States would dominate the integrative process; and that the policies designed to overcome natural market forces could be implemented without significant cost to the Canadian economy or at a cost which Canadians would be willing to pay.

With this decision, Canada began to implement policies directed toward greater diversity in its trade relationships by expanding its contacts and undertakings throughout the world. The Foreign Investment Review Agency (1974) became an important part of the regulatory system for screening foreign acquisitions of Canadian enterprise or the expansion of foreign-owned firms into new lines of activity. The anticipated benefits related to employment (both in quantity and quality), the investment and procurement of Canadian goods and services, increased participation by Canadians in their own economy, and better export performance by Canadian enterprise. There was no precise definition of "balanced growth," but in practice it meant an increasing emphasis on industrial and regional diversity and an upgrading of domestic economic capacity, in an effort to strengthen Canada's economic capabilities.

There were also certain non-economic dimensions. Thus, in 1975 the government introduced legislation to "Canadianize" Time and Reader's Digest, a step which nationalists in the Liberal party had urged for some years; and a government spokesman declared that Canada's scattered and heterogeneous population needed the unifying influence of a Canadian newsmagazine. There was also a redirecting of relationships at the provincial level. In 1975, the Saskatchewan government announced its intention to

take "effective control" of the potash industry in the province by purchasing "some or all" of the mines and to establish a Crown corporation for their acquisition and operation.

Many United States observers regarded this new direction of Canadian policy as both understandable and inevitable. Specific irritants, however, produced tension and led to an occasional demand for retaliatory action. Thus, in response to the action of Saskatchewan, the United States raised the question whether the expropriation of the assets of producing potash mines would erode the confidence of foreign investors, and the ambassador at Ottawa expressed concern that the takeover might be used to gain a quasi-monopoly position. Both Ottawa and Washington continued to insist that the relationship between the two governments was essentially cooperative, but issues accumulated.

Of first importance in the longer-term transition of Canadian-United States relations was the third option attempt to override natural market forces with policies that were, by definition, interventionist and were perceived in the United States to cross the fine line between an upgrading of national capabilities and frank protectionism. Such an approach, moreover, moved Canada away from bilateral policy initiatives -at least potentially of mutual advantage-toward a situation in which issues were examined in isolation. More seriously, Canada found it increasingly difficult to appear to be giving up something to the United States even if the broader agreement brought tangible benefits. By the end of the 1970's, this approach had created the risk of pressure for retaliatory action from the United States.

Defense policy underwent a similar change. During the period of World War II, Canada passed from the British to the United States security system, and Canada-United States military cooperation received specific form with the creation of the Permanent Joint Board on Defense (1940) and the negotiation of an agreement to coordinate war production (1941). The cold war changed this relationship from one of coordination to one of partial integration. With the NOR-AD\* agreement (1958), the air defenses of the two countries came under a fully integrated joint command, with the commander of the forces from the United States and the deputy commander from Canada, each in full control in the absence of the other. Canada and the United States shared the costs of this joint enterprise roughly in proportion to their respective economic strength—that is, in a ratio of about ten to one. The arrangement gave Canada a significant voice in North American defense but carried the implication of a military tie to the United States and the possible charge of being a military satellite.

NORAD came under criticism during the Cuban \*North American Air Defense.

military crisis; and a feeling of mutual disillusionment increased when Canada hesitated to accept nuclear warheads for a missile system, the sites for which had just been completed as part of NORAD. Thereafter, both Canada and the United States sought to reduce integration in the military field. In 1968, shortly after taking office, the Trudeau administration renewed the NORAD agreement for five years, but at the same time it indicated an intention of seeking a security role more compatible with Canada's national sovereignty. In 1973, Canada reiterated its support for a continental approach to air defense and raised questions of cost and the future use of Canadian bases before undertaking any long-term commitment to further participation in NORAD (North American Air Defense). In 1974, Canada reaffirmed its defense roles: consistent with the third option it allocated first priority to the protection of its sovereignty and gave second place to the defense of North America in cooperation with the United States.

In the following months, arrangements for North American defense constituted a major theme in Canada-United States relations, and planners in both countries discussed possible terms for the renewal of NORAD. In 1975, the two governments renewed NORAD for five years, and agreed that an integrated command constituted the most effective means of ensuring defense cooperation. The renewal agreement, however, called for a realignment of control zones to conform to national boundaries, which meant that for the first time since 1958 Canada was responsible for the surveillance and control of its own air space. In the renewal of NORAD, as in other areas of foreign policy, an emphasis on greater diversification meant that the third option remained the overriding theme in Canada's external activities.

In Canada-United States relations, friction was often the result of developments beyond the immediate context of those relations. Inflation and successive energy crises were global in their impact, with no effective resolution possible except along international lines. And, as far, as the United States was concerned, new directions of policy were necessary because of changes in the nation's role in global economic and political relations. The possible or likely impact of United States policy decisions on Canada was not a primary consideration in the United States, but Canadian initiatives sometimes followed. Those initiatives were a defensive reaction, but they sometimes went beyond strictly defensive responses. Canada sought deliberately to reduce a perceived vulnerability, and in doing so tried to carve out a more distinctly Canadian economic, cultural, military and foreign affairs "identity," although this raised the danger that the speed and scope of Canadian initiatives might create a backlash in the United States. More seriously, there was a failure on both

sides of the frontier to distinguish between what was politically expedient in the short run and economically desirable in the long run. With an emphasis on the short run, there was a diminution of each nation's capacity for bilateral cooperation.

#### CANADA AND EUROPE

A concomitant of the new direction of Canada-United States relations was a new emphasis on Canada's relations with Europe. There was an element of continuity in this relationship: Canada has traditionally maintained a degree of intimacy with Europe that is a principal characteristic distinguishing it from the United States. Canada carefully nurtured its European heritage. Most of the groups in the Canadian "mosaic" identify themselves in European terms, and individual Canadians often identify themselves by reference to European traits. For a long time, this pro-European attitude reflected a surviving colonial mentality, but after World War II it became another manifestation of Canada's independence from the United States.

Until the mid-twentieth century, Canada's trans-Atlantic ties were mainly with Great Britain and Canadian policymakers tended to view the Canadian scene through British eyes. The transformation of empire into commonwealth represented an effort to reconcile Canada's nationalist aspirations with a desire for continuing association with the "mother country." On the whole, the system worked to mutual advantage. Canada maintained a window on the world and benefited from access to the worldwide information-gathering services of the British Foreign Office. And until 1956 there was no serious divergence of British and Canadian policies on major international issues. The Suez crisis of that year strained the Commonwealth relationship, but the bonds remained strong.

During the 1960's, however, the first round of negotiations for Britain's entry into the European Economic Community (Common Market) revealed an increasing divergence of British and Canadian interests. Canada joined with other Commonwealth countries in exerting pressure on Britain to preserve the existing system of trade preferences. Thereafter, from the Canadian point of view the importance of Britain's entry into the Common Market diminished steadily. By 1970, Canada's exports to Britain made up less than 10 percent of the total, and were increasing at a slower rate than its sales to the European Economic Community (EEC) nations. Beginning in 1971, after years of only lukewarm support for the Common Market, Canadian officials and politicians expressed concern for the future of Canadian-European relations. Such factors as the continuing trade difficulties with the United States and Britain's entry into the Common Market influenced Canadian views; and Canadians realized that an enlarged Community constituted the world's largest trading entity, with an import market 50 percent larger than that of the United States. Thereafter, the Trudeau administration placed more emphasis on Canada's relations with Europe. One objective was to solidify bilateral relations and exchanges with individual European countries; but the major thrust was toward the establishment of a "contractual link" between Canada and the Common Market as a means of implementing the third option.

In 1974, the government proposed negotiations with the EEC to create such a link in the form of a trade agreement between Canada and the member states, as a first step toward placing trade relations on a new juridical basis. Efforts to formalize the contractual link came thereafter to constitute the major thrust of Canadian diplomacy toward Europe, and summit diplomacy became the major means of pursuing this objective. In 1975, Trudeau conducted discussions with the leaders of the EEC nations in an effort to gain support for the contractual link; and the following year in a formal agreement Canada and the Community undertook to promote the development and diversification of their reciprocal trade and to foster mutual economic cooperation in the development of their respective industries and standards of living.

#### **FOREIGN AND DEFENSE POLICIES**

In Europe as in North America, there was a perceptible link between foreign and defense policies. A Canadian Prime Minister was the first Western statesman to refer publicly to the possibility of creating a North Atlantic Treaty Organization (NATO), and Canada's contribution to the NATO defense system was respectable, especially in the critical initial period. After 1957, however, Canadian participation in NATO declined steadily both in real and relative terms, and the creation of NORAD for the protection of Canadian territory outside the NATO framework directed Canada's attention and financial resources toward continental security. The Canadian people were increasingly reluctant to finance an indefinite stationing of troops in Europe in peacetime, and in 1964 the government proposed a review of its commitment to the alliance, both as a link with Europe and as a means of balancing Canada's close relations with the United States.

In 1968, on becoming Prime Minister, Trudeau reflected a large body of Canadian public sentiment when he called for a reassessment of the country's relationship with NATO. Both NATO and NORAD came under close scrutiny; running through the debate over the allocation of defense funds into the most effective channels was the theme of an "independent" foreign policy—independent, that is, of the United States. Trudeau's insistence that foreign policy should

dictate military policy and not the reverse led to a consideration of Canada's contribution to NATO. Thus in 1969 the government called for a "planned and phased reduction" in the size of Canada's forces in Europe in order to correspond to a new set of priorities in defense matters: first, the protection of Canadian sovereignty; and second, the defense of North America in cooperation with the United States. The government continued to insist, however, that NATO represented a viable forum in which to pursue its European interests, or, in other words, that a military contribution to NATO might have a positive effect on the establishment of long-term contractual arrangements with the European Community.

In 1973, government spokesmen praised NATO and upgraded Canada's contribution in Europe, and thereafter, despite some evidence of internal disagreement, the Trudeau administration attached considerable importance to NATO. It declared that NATO membership went "well beyond a concern for some narrow definition of security" and that it represented a harmonization of views "on a whole range of issues." By 1975, the importance that the government attached to the third option, and its desire for a contractual link with the European Community, not only enhanced the value of NATO but gave the Europeans a way to exert pressure for an increased Canadian contribution.

There were some tangible results of such pressure. In 1972, the government lifted its three-year spending freeze and allocated increased amounts for capital defense expenditures, in order to add punch to its NATO force, to strengthen its antisubmarine patrols over the North Atlantic, and to permit closer surveillance of its Arctic regions. The decision to step up military spending dispelled the fear that Canada would abandon its land role in NATO in favor of an all-air contribution as a prelude to total withdrawal. And it muted criticism in Canada that neglect and obsolete equipment had turned the armed forces into an organization incapable of defending Canada itself, much less West Europe.

At the outset the most important—and most controversial—aspect of this new direction of policy was the question of replacing the aging aircraft previously used for "sovereignty protection." In 1972, the government requested proposals for a multipurpose aircraft to perform both military and non-military functions, and a series of decisive steps followed. In 1975, for the first time under Trudeau, the Cabinet agreed on a funding formula for new equipment and decided to acquire new long-range patrol aircraft. And, at the same time, Trudeau used the occasion of a NATO summit meeting to reaffirm Canada's attachment to the alliance, pledging that his government would maintain the present level of commitment. The importance to the Trudeau administration of defense

issues, its stress on the third option, and its search for a contractual link with the European Community thus enhanced the importance of NATO for Canada.

#### CANADA AND THE THIRD WORLD

With the enunciation of the third option, Canada began to lessen its vulnerability to the United States, seeking an equilibrium in its external relations through expansion of political and economic ties with its major partners. The search for diversification encouraged the development of economic relationships with previously underemphasized areas, especially the nations of the third world. The basic fact remained that over 90 percent of Canada's tradevital to its living standard—was with "developed" countries, and there was little indication that the situation would alter greatly in the foreseeable future. Canada's alliance with the Atlantic powers and its links with NATO were obviously basic in creating a more secure external environment. Its relations with third world countries were not only less extensive; by any objective standard they were also less important than those with the United States or Europe.

But they were far from trivial. Long before Canada established diplomatic relations with the third world Canadians had gone as missionaries, traders, investors or tourists. Canadians, for example, were major investors in the West Indies and in parts of Latin America. After World War II, there was a modest influx of third world immigrants to Canada, and a rapid strengthening of Canada's relations with the third world. Canada established its first diplomatic mission in 1941 in Brazil, and by the mid-1970's it was represented by ambassadors or high commissioners in about 40 third world nations.

Canada's principal involvement in the third world was as peacekeeper and participant in international economic development. In 1950, Canada assisted in setting up the Colombo Plan for the economic development of South and Southeast Asia. Subsequently, the Canadian government welcomed the formation of the short-lived West Indian Federation, hoping that it held the promise of a balanced, comprehensive approach to the economic development of the area; it thus pledged considerable sums for that purpose. The early demise of the union came as a disappointment and obliged Canada to contribute to a host of small projects rather than concentrating on a few larger ones with greater potential impact. Within a decade, Canadian aid in the West Indies had exceeded \$80 million, much of it for education and transport facil-

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"For the longer term, it is optimistic—but reasonably so—to forecast that Canada will come to terms with the problem of dealing with its substantial and diverse energy sources... The Canadian resources of heavy oil and oil sands are also capable of lasting for a century or more if environmentally acceptable and economical methods can be found to extract them on a sufficient scale to replace diminishing stocks of lower cost conventional crude oil."

# Energy in Canada

BY JOHN F. HELLIWELL

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HE energy situation in Canada can best be explained by comparing Canadian energy with that of the United States. The figures for the two countries can be compared by noting that Canada's population (23.8 million at the beginning of 1980) and gross national product (C\$260 billion, or US\$222 billion in 1979), and primary energy use are all about one-tenth as large as those in the United States.

Over the past 20 years, production of all forms of fossil fuel has grown substantially faster in Canada than in the United States. The oil, gas and coal resources of the United States were discovered earlier and developed faster than those in Canada. In 1961, Canada adopted a national oil policy, in many ways similar to the United States policies of protection against imports of low-priced world oil, that provided a guaranteed domestic market for the oil production of western Canada. There was a parallel policy of increasing Canadian markets for natural gas and encouraging exports of crude oil and natural gas to the United States. In the late 1960's and early 1970's, when United States oil and gas productive capacity was increasingly outstripped by the rapidly growing demand for low-priced energy, there were concomitant increases in United States imports and Canadian exports of oil and natural gas.

Thus Canada imported three times as much energy per capita as the United States in 1960, but had become a net exporter of all forms of primary energy except coal by 1973. Quebec and the Maritime Provinces remain largely dependent on imported oil; the 1973 net export surplus arose when oil exports to the United States exceeded imports to eastern Canada. Canada has continued to rely on imports of United States coal for the Ontario steel industry and for some thermal generation of electricity. This is increasingly

offset by exports of British Columbia and Alberta coking coal to Japan and Korea.

Electricity production in Canada is dominated by provincial Crown corporations. There is relatively little trade in electricity within Canada, although a number of provinces export surplus electricity to the United States (about 10 percent of total electricity production in 1979). Quebec, British Columbia, Newfoundland and Manitoba rely almost exclusively on hydroelectricity, while most other provinces place fairly heavy reliance on thermal power. Almost all existing and planned nuclear capacity is located in Ontario, which has 36 percent of Canada's population and a substantially higher share of Canada's manufacturing.

#### THE FIRST ENERGY CRUNCH

The price of world oil landed in North America moved from about US\$3 per barrel at the end of 1972 to \$12 per barrel at the end of 1974, and thereafter stayed roughly constant in real terms (i.e., rose as fast as the general price level in the United States) until the end of 1978. The initial Canadian response, like the United States response, was to shelter domestic energy users as much as possible from the rise in world energy prices. In Canada, the federal government regulated the wellhead price of crude oil and the Toronto city-gate price of natural gas. The federal government introduced a crude oil export tax (set by the National Energy Board) to collect the difference between the regulated domestic price and the world price of crude oil; slightly later, it adopted an oil import compensation scheme to pay the extra costs faced by refiners of imported oil. Revenues from natural gas exports (for which the prices are also set by the National Energy Board) flow directly to the producers in Alberta and to a provincially owned corporation in British Columbia.

The mid-1970's energy supply situation in Canada, as in many other countries, was characterized by increasing estimates of the costs of long-term substitutes for what had been very low-cost imported oil. The ratios of proven reserves to annual production

<sup>&</sup>lt;sup>1</sup>Comparative information is adapted from Tables 1a and 2a of J. F. Helliwell, "Canadian Energy Policy," *Annual Review of Energy*, vol. 4 (Palo Alto: Annual Reviews Inc., 1979), pp. 175-229. The data are drawn from the *International Energy Agency Reviews of National Energy Programmes* 1977 (Paris: O.E.C.D., 1977).

(often called "life indices") of both crude oil and natural gas fell sharply from the mid-1960's to the mid-1970's, mainly because of sharp increases in production but also because of diminishing exploration effort and success. The ratio of Canadian reserves to production fell from 15 for oil and 42 for gas in 1965 to 11.5 for oil and 30 for gas in 1975. These were still substantially above the corresponding ratios in the United States in 1975, which were 8.9 for oil and 11.9 for natural gas. The Canadian federal government moved to reduce sharply oil imports (which are approved on a month-to-month basis) from 1974 on, and no increases in natural gas exports (which have been exported with long-term contracts and approvals) were approved between 1971 and 1979. The oil life index continued to fall through 1979, while the gas index was up over 39 in 1979, including gas discoveries in the Arctic.

In some respects the United States and Canada have rather similar situations with regard to energy production and energy use and their reactions to the 1973-1974 increases in world oil prices. But there are two key differences between the two countries: the provincial ownership of natural resources and the substantially foreign ownership of the Canadian oil and gas industry.

Under the British North America Act of 1867, augmented by subsequent arrangements for new provinces entering the federation, natural resources fall under the exclusive jurisdiction of the provincial governments. About 85 percent of Canada's oil and gas production is in Alberta, with most of the remaining natural gas in British Columbia and most of the rest of the oil in Saskatchewan. At the end of 1977, the three western provinces contained 99 percent of Canada's oil reserves and 92 percent of the gas reserves. Almost all the other gas reserves are in the federally controlled

Northwest Territories, in the Beaufort Sea and the Arctic Islands. The ownership of the East Coast offshore oil discoveries in the Hiberia and Ben Nevis fields is subject to continuing dispute between the federal and provincial governments, with the most recent decisions of the federally appointed Supreme Court tending to support the federal claims.

Canadian regional disparities in oil and gas resources are only slightly more marked than disparities in the United States; there, 50 percent of the oil production and 70 percent of the natural gas production come from Texas and Louisiana, with another 16 percent of 1979 oil production coming from Alaska. The big difference between the two countries arises because the provincial governments in Canada retain the ownership of oil and gas resources, while in the United States most of the onshore oil and gas rights were long ago sold or given to private landholders.

The Canadian federal government acquires most of its powers over energy indirectly through its control over international and interprovincial trade and its almost unfettered powers of direct and indirect taxation. It also has certain powers to act in situations of national emergency and has passed but not implemented emergency energy allocation and pricing legislation. The Supreme Court held that wage and price inflation in 1975 constituted a sufficient national emergency to permit the federal Anti-Inflation Board to override conflicting provincial legislation. It is therefore likely that the court would support federal powers to allocate and price energy if the federal and provincial governments were unable to agree.

Against this constitutional background, the level of domestic oil and natural gas prices in Canada has, since 1973, been determined principally by negotiated agreement between the Alberta and the federal governments. The eventually agreed strategy was to move Canadian oil prices up by \$1 per barrel every six months, with the target being the world price, the Chicago price, or something approaching them. This plan fell apart when the world oil prices doubled in 1979, and the level of confrontation thereafter increased along with the stakes. At the end of June, 1980, the domestic price of crude oil was C\$14.75 per barrel, compared with over \$37 per barrel for the landed price of imported crude oil.

Just how big are the stakes? Calculations from a detailed model of Canadian energy demand, costs and pricing suggest that the current value of net economic rents from past and future development of oil and natural gas in the provinces (i.e., excluding the potential Arctic and offshore deposits) is over \$500 billion, of which between \$200 billion and \$250 billion (depending on whether federal or provincial preferences hold for future energy pricing and trade policies) would accrue to the governments of the producing provinces.<sup>2</sup> Of the total of \$500 billion, about \$50

<sup>&</sup>lt;sup>2</sup>The results quoted here are from J. F. Helliwell, "Using Canadian Oil and Gas Revenues in the 1980's: Provincial and Federal Perspectives," Resources Paper no. 54, Programme in Natural Resource Economics (Vancouver: U.B.C. Department of Economics, August, 1980). The total economic rents are calculated from model simulations starting in the middle of this century and running one-third of the way through the next. The present values are calculated using a real discount rate of about 7.5 percent. Energy demands are actual values until the mid-1970's, and are thereafter based on a regionally disaggregated system of demand equations for total energy and energy shares. These equations are then used to forecast future demands and consumer surpluses under alternative energy pricing strategies. Past and forecast future world oil prices are used to set the values of the resources, and costs are based on historical experience until the mid-1970's and on estimated cost equations thereafter. The resource base comprises the ultimate stocks of recoverable conventional oil and gas in the provinces, as estimated by the National Energy Board and adjusted for subsequent wellhead price increases, and oil sands sufficient to support a sequence of new plants coming on stream one every five years.

billion would come from the production of synthetic oil from the current oil sands plants (with a combined output about 150,000 barrels per day) plus a sequence of new plants assumed to come on stream every five years starting in 1986. If the economic rents received by Canadian energy users, governments and shareholders are distributed by province of residence, the regional discrepancies become very obvious. For Albertans, the current value of the net economic benefits is \$115,000 per capita if a "provincial rights" pricing strategy is used<sup>3</sup> or \$95,000 if a "federal" pricing strategy is used in and after 1980.4 By contrast, the average net benefits to Canadians living outside Alberta are \$9,000 per capita in the "provincial rights" case or \$11,000 per capita under the federal pricing strategy.

#### FOREIGN OWNERSHIP REDUCED

How are the rest of the economic rents distributed? Here we come to the other key fact that distinguishes the United States and Canadian energy situations the high degree of foreign ownership in the Canadian oil and gas producing industries. The level has been dropping in recent years, primarily because of purchases of United States-owned companies by Petro-Canada (the new national oil company), Alberta Gas Trunk Line Limited (the Alberta-based sponsor of the Alaska Highway pipeline to transport Prudhoe Bay gas to the southern United States) and Dome Petroleum (the main driller for oil and gas in the Beaufort Sea). The percentage of foreign ownership in Canadian oil production was 80 percent in 1973 and had been reduced to 72 percent in 1979. For natural gas, the foreign ownership share was 77 percent in 1973 and 60 percent in 1979. The percentage of foreign control is much higher, because many of the largest foreign-controlled oil firms have a

<sup>3</sup>Crude oil price increases of \$10 per barrel per year until the world price is reached in 1983. The world price itself is taken to be US \$32 per barrel in 1980, rising thereafter (in real terms) at 2 percent per annum. The "provincial rights" case also involves the approval of an additional .5 trillion cubic feet per year of natural gas exports (worth about US \$2.2 billion per year at the mid-1980 export price) between 1986 and 2000.

The "federal" pricing strategy involves annual increases in the wellhead oil price of \$3 per barrel until 1990, followed by larger increases toward a target level of \$30 per barrel in terms of 1980 price levels. It also involves user surcharges (amounting to \$10 per barrel by 1985) to cover the cost of the continuing subsidy on imported oil.

'These issues are discussed at some length in the "Gray Report," Domestic Control of the National Economic Environment: The Problems of Foreign Ownership and Control, Ottawa, 1971. A leaked and abridged version was published as A Citizen's Guide to the Gray Report (Toronto: New Press, 1971). This report led to the subsequent creation of the Foreign Investment Review Agency, now under the direction of Herb Gray, the current federal Minister of Industry, Trade, and Commerce.

substantial proportion of Canadian shareholders, while minority foreign shareholdings in Canadian-controlled firms are quite small.

What are the implications of the high degree of foreign ownership and control? The high degree of foreign control is often held to influence the Canadian subsidiaries to follow the interests of the parent company, which may often run counter to those of the workers, shareholders and customers of the Canadian subsidiaries. More directly, the high degree of foreign ownership has meant that most economic rents that are not distributed to consumers (by means of low prices) or collected as taxes or royalties are in the hands of foreign shareholders. In the provincial rights case, economic rents with a present value of more than \$80 billion accrue to the foreign shareholders of the oil and gas producing firms, assuming the continuation of the current tax and royalty system.

In 1974, the provincial governments moved to increase sharply their royalties on oil, gas, and other minerals in order to collect a higher share of the economic rents created by rising world and domestic prices. The federal government responded by making provincial royalties a non-deductible expense for purposes of the federal corporation income tax. The subsequent three-way revenue struggle between the federal government, the provincial governments and the producing firms led eventually to a federal tax system with a substantial degree of incentive for further oil and gas exploration. This was no doubt partly responsible for the large increases in drilling activity during the late 1970's, but it also meant that the federal government's corporation income tax was generating very little revenue as the import compensation payments began to rise sharply.

#### THE SECOND ENERGY CRUNCH

In many ways the more-than-doubling of world oil prices during 1979 and 1980 posed deeper problems for the Canadian economy than the earlier increases in 1973-1974. The hard-won compromise approach to world oil prices was aimed at an out-of-date target, and the new gap between domestic and world prices became so large as to put extraordinary pressures on Canada's political and economic systems. When the minority Conservative government reached a tentative pricing agreement with Alberta in late 1979 that involved annual oil price increases of \$4.50 per barrel per year, and introduced in its December, 1979, budget an additional excise tax of 18 cents per gallon on motor gasoline, the government was defeated in the House of Commons. The federal Liberals were reelected in February, 1980 (after less than a year in opposition), after promising that oil prices would rise less rapidly under their administration than under the Conservatives. Since then, the world oil price has risen still further; the federal government is anticipating a

very large fiscal deficit during 1980; and the Alberta government has repeatedly announced that it will not agree to accept economic benefits any smaller than those promised by the federal Conservatives. No Liberal members were elected to the House of Commons from the three main producing provinces, so the federal government owes its existence and allegiance to the energy-consuming regions of Quebec, Ontario and the Maritimes.

By mid-1980, there was still no substantial progress in the political bargaining between Ottawa and Alberta. The federal government proposed an export tax to apply to natural gas, or possibly to all energy exports, including the substantial electricity exports from Ontario and Quebec. The Alberta government passed legislation to ensure that its oil and gas royalties would be paid in kind rather than in cash, and set up regulations tightening its control over who would and who would not be eligible to buy Alberta oil.

As though all this were not bad enough, the sharp increases in energy revenues have put enormous pressures on the federal government's system of equalization payments. These payments from the federal government to the "have-not" provinces are intended to bring their revenues from selected sources up to the average of all provinces. Thus when oil and gas revenues rise in Alberta, the corresponding rise in average provincial oil and gas revenues triggers extra payments from Ottawa to the "have-not" provinces. Since only about 12 percent of federal revenues come from Alberta residents, the bulk of the additional equalization payments come from the provinces other than Alberta. The system has been continually adjusted to limit the effects of oil and gas revenues. This limits the perverse effects of the current system, but it also means that nothing is being done to redistribute oil and gas revenues and potential revenues from hydroelectricity among the provinces. What is needed for the longer term is a system of interprovincial revenue-sharing under the control of the provinces, or even entrenched in the constitution, that would go some way toward equalizing the fiscal effects of unevenly distributed energy resources.6

It is slightly ironic that the 1978-1979 oil price crunch that broke apart the Canadian compromise on energy prices and revenue-sharing also ended the United States domestic stalemate on energy pricing, and provided the pressure needed to obtain passage of oil and gas price deregulation and the excess profits tax. United States energy prices, which had long

"These issues are more fully spelled out, along with the effects of an interprovincial revenue-sharing pool, in Helliwell, "The Distribution of Energy Revenues Within Canada: Functional or Factional Federalism," Resources Paper no. 48, Programme in National Resource Economics (Vancouver: U.B.C. Department of Economics, February, 1980).

made it hard for Canada to move faster toward world prices, jumped ahead of Canadian prices. This should have made Canadian policy easier. However, since there was no immediate solution to the federal-provincial disputes over pricing and revenue-sharing, the higher United States prices made the Canadian situation even worse by increasing the incentive for United States cars, trucks and planes to fuel up in Canada, helping Canadian gasoline sales to rise by over 3 percent in 1979 while United States sales fell by 4 percent.

In the short term, the prospects for an amicable settlement of Canada's energy issues are slim. In the absence of broad agreement between the levels of government, each is likely to use the tools under its own control with adverse effects on the efficiency of energy production and energy use in the country as a whole. In the absence of a larger share of direct tax revenues, the federal government will continue to enforce low domestic energy prices as a means of transferring some of the benefits to those living outside Alberta. This policy will continue to dull the incentives for energy conservation and will in time make Canada the haven for energy-intensive production.

To put further pressure on Alberta and to help keep domestic prices down, the federal government is also likely to approve fewer new exports of natural gas than would be desired by the Alberta producers and the Alberta government. In response, Alberta will make its natural gas and crude oil less freely available in the rest of Canada and even more easily available for use in Alberta, especially for energy-intensive petrochemical projects. This will also happen for natural gas in British Columbia, where the wholesale price for natural gas for use within the province is less. than one-fourth the export price. The federal government's proposed energy export tax and the current softness of the United States natural gas demand (especially in off-peak periods, and when there is a surplus of relatively cheap residual oil) will increase the willingness of the producing provinces to use cheap energy as a spur for downstream processing.

Unfortunately, since these policies cannot be based on a long-term supply of low-cost fossil fuels, this will attract all the wrong sorts of industries. Those most

(Continued on page 149)

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"Although Canadians are among the thriftiest people in the Western world, their savings are insufficient to finance the development of their resources and industries at a pace that will offer continuing employment opportunities. . . . Hence Canda is likely to continue to rely on foreign capital inflow in part to finance job-creating development and in part as an offset to the current account payment deficit."

# The Canadian Economy in the 1980's

By O. J. FIRESTONE

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HE year 1980 was a landmark in Canadian economic history. The country faced an economic gap, the largest in decades. A shortfall of some \$15 billion in gross national product (GNP) and of about 350,000 jobs could have been handled without adding to inflation if circumstances had been more favorable and if national management were more effective.

"Worst performance by economy since 1954 forecast," read the half-inch headline in The Globe and Mail, Canada's most prestigious newspaper, reporting the results of a survey conducted by the Parisbased 24-member Organization for Economic Cooperation and Development (OECD). Studying the period to mid-1981, the OECD found that, despite sluggish economic performance including one of the highest levels of unemployment in the post-World War II period, Canada would experience an increase in inflationary pressures while the situation in the six other major Western industrial nations (the United States, Britain, France, West Germany, Italy and Japan) would improve. Moreover, Canada would be the only one of the seven countries whose balance of payments would deteriorate, reaching a record deficit.

1980 was also a crucial year politically, with potentially enormous economic consequences. It was the year of the Quebec referendum. Ostensibly, Quebecers faced the choice of the status quo (possibly modified) or "sovereignty association," a strategy of Quebec's "Péquiste" government designed to achieve, as Senator Maurice Lamontagne put it, "independence, pure and simple." But the issue was not only

whether Canada would remain a united nation; a larger question included how much accommodation the different parts of the country were prepared to offer to strengthen the economic fabric and achieve greater human and social progress for all. 1980 was the year when the federal government and most provincial governments appeared willing realistically to change the Canadian constitution. This venerable 113-year-old institution, which had served Canadians well, was badly out of date.

No doubt, the country faced major problems; but basically, Canada remained strong, vibrant and resourceful, a land that promised increasing rewards for effort, enterprise and innovation.

Inflation has affected the Canadian economy. But over the period 1970-1978 the Canadian consumer price index rose at an annual average of 7.6 percent, compared with 8.1 percent for the seven major OECD countries. The record of the United States was a little better, 6.7 percent, <sup>3</sup> but in the next two years the situation was significantly reversed: Canada, 9.3 percent, United States, 14.3 percent.<sup>4</sup>

As for the recession, most forecasters foresaw a decline in the real GNP for the United States, while Canada was expected to do better, with the economy leveling off. Because the labor force was growing, unemployment would rise in both countries. Still, the unemployment ratio in Canada actually declined in the first half of 1980.5

The balance of payments deficit notwithstanding, the Canadian dollar in 1980 was stronger than it had been for the last two years, reflecting heavy capital flow into Canada's resources and energy boom and the confidence of foreign investors in Canada's long-term future.

Ever since the end of World War II, federal governments have been too timid to oppose the increasing demands of provincial governments for greater independence in running economic affairs within their regions. Many of these provincial demands were justified, because the growing complexity of the economy called for greater decentralization. But there were limits to such demands because full acquiescence

<sup>&#</sup>x27;July 11, 1980.

<sup>&</sup>lt;sup>2</sup>Maurice Lamontagne, The Double Deal: A Response to the Parti Québécois White-Paper and Referendum Question (Montreal: Optimum Publishing Company Limited, 1980), p. 91.

Economic Council of Canada, Two Cheers for the Eighties, Sixteenth Annual Review, Ottawa, 1979, p. 4.

<sup>&</sup>lt;sup>4</sup>Comparing the consumer price index of March, 1979, to March, 1980.

<sup>&</sup>lt;sup>5</sup>Unemployment ratio, seasonally adjusted, March, 1979, to March, 1980: Canada, 7.8, down to 7.4 percent; United States, 5.7, up to 6.2 percent.

would have made it almost impossible for the federal government to ensure an equitable redistribution of the nation's wealth among the various parts of the country and to deal effectively with recession, inflation and foreign trade.

Buoyed by the federal victory in the Quebec referendum\* and the growing public support for constitutional change, the government took a firm stand in its discussions with the provinces.6 Repeatedly, Prime Minister Pierre Elliott Trudeau reminded the provinces that in many areas constitutional and economic changes could be initiated by the federal government without unanimous consent, and that he was prepared to initiate such changes if cooperative arrangements could not be worked out.

But Trudeau's vision of a United Canada is broader than that. Canada needs strong provinces—not only the rich ones-to give Canadians the benefit of effective decentralization within a vital federal system. Thus when Alberta made excessive oil price demands and backed them up with legislation that empowered it to limit crude oil shipments to the rest of Canada and to the United States, Energy Minister Mark Lalonde expressed federal exasperation with provincial blackmail:

The government of Canada did not fight against the Parti Québécois demands for political sovereignty with economic association in order to give other provinces economic sovereignty with political association.7

#### **ECONOMIC PATTERN OF THE 1980's**

Most economic forecasters have been placing Canada's GNP for 1980 somewhere between a 0.3 percent decline (from the 1979 level of \$261 billion) and a 1 percent increase. With inflation running at about 10 percent, this suggests a GNP for 1980 approaching \$300 billion; by conventional standards this might be termed either a mild recession or a temporary slowdown in the economic growth process.

Three major factors leading to economic weakness

\*In May, 1980, Quebecers voted 60 percent to 40 percent to stay in the Canadian confederation, and business confidence returned to that province and was bolstered in the rest of the country.

6"The Quebec referendum was the first major plebiscite in history on a question of separation that failed," noted Professor Anthony King, University of Essex, England, quoted in The Globe and Mail, June 4, 1980.

7" Lalonde Standing Firm," The Citizen, May 30, 1980.

8"Capital Investment Intentions Survey of Large Corporations," News Release, Department of Industry, Trade and

Commerce, Ottawa, June 11, 1980.

"The Economic Assumptions Underlying the Fiscal Projections of the Budget," Department of Finance, Ottawa, December 11, 1979, p. 4. The Economic Council of Canada projects annual rates of economic growth varying between 2.9 and 3.7 percent over the period 1982-1985, depending on whether the Canadian government pursues restraining or highly stimulative economic policies. Two Cheers for the Eighties, p. 73.

were the substantial decline in house-building activity caused in part by the highest mortgage interest rates in half a century; a major cutback in North American automobile production, partly because of a decline in demand, partly because of increased competition from imported small fuel-efficient motor cars; and a slowdown in export growth, mainly because of the recession in the United States and retrenchment in some other overseas markets.

Relatively speaking, the Canadian economy would not have done much better than the United States economy if it had not experienced a largely domestically originated investment boomlet. A survey of 300 large companies indicated an increase in capital spending for 1980 (over 1979) of 25 percent in dollar terms and 15 percent in real terms. The major contributors to the volume increase were manufacturing, 35 percent, particularly forest products; primary metals and transportation equipment; and mining and oil and gas pipelines, each with increases of 50 percent.8

Business capital spending is likely to remain firm in 1981; and with a turnaround in the housing and export sectors, Canada's GNP in 1981 is likely to rise between 2 and 3 percent in real terms. Further improvements in Canada's overall rate of economic growth can be expected, with an improvement in motor car sales and other consumer durable goods in 1982 and 1983, followed by a leveling off or a moderate decline in 1984 and 1985.

The Department of Finance estimates that the annual rate of increase in real GNP will average 3.5 percent between 1981 and 1985.9 This would be a better performance than the 3 percent Canada achieved between 1976 and 1980. The second half of the 1980's is likely to bring a further improvement in the rate of economic growth, between 4 and 4.5 percent per annum, assuming a fairly healthy international economic climate with some possible temporary interruptions. If that happens, the expansion rate may fall below the levels indicated for a couple of years, while Canada continues to struggle to cope with fluctuations in demand and prices for its products abroad. But basically, the economic prospects are brighter for the late 1980's than the probable actual experience over the 1976-1985 period.

Canada's GNP in 1985 may be in the \$500-billion range, and in 1990 it may exceed \$800 billion, allowing for inflation trends. By way of perspective, only 12 years ago, in 1968, the GNP of the United States first exceeded \$800 billion (the actual figure was \$868 billion).

The rate of growth forecast for the late 1980's is similar to the Canadian growth rate between 1966 and 1970, with an annual increase of 4.6 percent in real GNP but the growth rate will probably remain below the growth rate of the first half of the 1960's and 1970's, 5.6 and 5.1 percent, respectively. The main strength of the Canadian economy in the second half of the 1980's will come from an investment boom in the resources, energy and transportation sectors that will spill over into secondary industries, manufacturing and construction, when industrial diversification receives greater attention in Canada. <sup>10</sup> More foreign investors are likely to become attracted to Canada, not only in the expectation of financial rewards but also because business firms from other countries will want to ensure an adequate and reliable supply of raw and processed materials for their factories at home and in third countries. Still, unemployment and inflation, occurring concurrently, will remain Canada's major economic problems.

#### JOBS AND PRODUCTIVITY

Between 1979 and 1980, Canada's labor force increased 3.5 percent and employment increased 3 percent, contributing to an increase in the unemployment ratio from 7.5 to about 8 percent, with substantial regional and local variations (e.g., the Windsor area recorded about 20 percent unemployment, mainly the result of layoffs in the auto and related industries). For 1981, forecasts range between 8.2 and 9 percent, but with economic growth picking up, the unemployment rate may be down to 7.5 percent by 1985.11 This is still a comparatively high rate, well above what the Economic Council describes as an equilibrium rate, 5 to 6 percent. Optimistically, the council suggests that the rate may drop to between 4 and 5.3 percent by 1985, depending on whether the government pursues expansionist or restrictive economic policies.

Taking into account the continuing desire of married women to enter or reenter the labor market and allowing for further increases in labor force participation rates, the 7.5 percent unemployment ratio for 1985 appears to be more realistic. 12 At the same time, as Canada moves into a period of high investment activity in the second half of the 1980's, shortages of

\*\*\$710 billion in electric utilities, \$530 billion in oil, gas and coal and \$160 billion in pipeline construction.

skilled workers and professional personnel, already noticeable, will become more pressing. Hence, Canada is likely to face the paradox of greater shortages of both jobs and job seekers.

Productivity in Canada increased by 2.3 percent between 1956 and 1973. It rose very moderately between 1974 and 1978, about 0.5 percent per annum, and it actually declined in 1979 and 1980 as the economy slowed down. This was partly the result of economic forces in the making for a number of years, including a cutback of business investment that led to a decline in the capital-labor ratio and the special conditions that prevailed in the crude petroleum and natural gas extraction industries since the quadrupling of oil prices in 1973. Since that year, productivity in this sector has fallen by nearly 12 percent per year.

By 1985, the Department of Finance foresees productivity improvements of 1.4 percent and the Economic Council forecasts between 1.2 and 1.7 percent. These rates are still below the long-term trend. Canada needs greater productivity improvements if it is to remain competitive in international markets and if real incomes are to rise for the average citizen. Such improvements may, however, be several years away as Canadians wait for a payoff on substantial increases in business investment in key sectors of the economy that can be anticipated in the course of the 1980's. For example, the Alberta Department of Economic Development estimates that about \$120 billion will be invested in industrial projects in that province alone during the 1980's. For Canada as a whole, capital investment in the primary and secondary industries may reach \$400 billion. This compares with the proposed capital expenditures by these two sectors in 1980, about \$23 billion.

These projections may actually understate Canada's industrial capital requirements. The Royal Bank of Canada estimates that investment in energy development alone over the next two decades will involve \$1.4 trillion,\*\* one-fourth of which, \$350 billion, is to be financed by foreign funds. Bankers conclude that this is a difficult though not impossible task, to be achieved "against the background of an energy-rich nation trying to reconcile restive regionalism with growing nationalism and the need for huge amounts of capital."

The implications for policy are fairly clear: there must be an improvement in the process of matching people's skills with job opportunities and an economic climate conducive to business expansion and capital investment must be encouraged. Tax credits or similar fiscal incentives may not be enough. Increased government participation and the underwriting of risks (on condition of obtaining a share of the benefits flowing from such investment) are likely to become more pressing. Many giant development projects in

<sup>10</sup>Both the Department of Finance and the Economic Council of Canada foresee that non-residential investment in Canada in the first half of the 1980's may rise at twice the annual rate of real GNP. ("The Economic Assumptions Underlying the Fiscal Projections of the Budget," op. cit., p. 20.) This trend may accelerate in the second half of the 1980's.

The Department of Finance puts the ratio at 8.3 percent. See *ibid.*, p. 4.

<sup>&</sup>lt;sup>12</sup>The Department of Finance measures this rate in terms of "Percentage of Working-Age Population Employed." The ratio is expected to rise from 58.3 percent in 1980 to 61.5 percent in 1985. See "The Economic Assumptions Underlying the Fiscal Projections of the Budget," *ibid.*, p. 4.

<sup>&</sup>lt;sup>13</sup>Defined as annual changes of real GNP per employed person.

the resources and energy fields and the transportation and communication sectors may be beyond the capacity of the private sector, because the governments are likely to required increased Canadian participation in both new and existing developments.

#### INFLATION

Inflation is usually measured in terms of annual changes in the consumer price index or in terms of the implicit price index in the GNE (gross national economy); the GNE is more comprehensive in that it covers 100 percent of economic activity instead of about 60 percent for the consumer price index. There is usually a difference of one percentage point between the two indices, with the consumer price index being lower. On that basis, prices rose by a little over 9 percent in 1979 and about 10 percent in 1980. For 1981, the Department of Finance forecasts a possible increase of up to about 11.5 percent, declining to 7.8 percent in 1985. The Economic Council foresees increases of between 8.1 and 9.3 percent in the consumer price index for 1985.

Gone are the "good old" 1960's when annual price increases were below 5 percent. The 1970's, with some of their double digit inflation, have passed, but the legacy of strong and continuing price pressures remains.

One important problem in the monetary field was how can inflation be restrained without nipping in the bud a period of economic expansion that appears to be justified, given increases in demand and the need to rejuvenate and expand Canada's stock of real capital? In Canada, responsibility for monetary policy rests with the Bank of Canada. As the governor of the bank explained recently:

The Bank of Canada has for some time now been embarked on an effort to steer the Canadian economy on the path back to price stability.

What does price stability mean? A zero general price increase? A 5 percent price increase? A price rise greater than that? This has never been explained, except in such vague phrases as the "lowest possible" or "achievable" inflation rate.

The Bank's governor made a valid point:

People have learned to expect inflation and they have learned to do what they can to protect themselves from it. They have also learned to be skeptical about public promises to reduce inflation.

<sup>14</sup>A range between 10.1 and 11.4 percent is suggested. The higher limit is not unrealistic given the continuing upward trend of oil and food prices (the latter in part connected with the drought in western Canada) and strong inflationary pressures emanating from abroad.

<sup>18</sup>In 1979, exports of goods and services comprised 29 percent of Canada's GNE and imports of goods and services, 31 percent.

16On a national accounts basis.

And he expressed the hope that appropriate monetary policies (which in 1980 meant very tight and expensive money), together with other measures, could alter the inflationary psychology.

When government agencies like the Department of Finance and the Economic Council of Canada foresee continuing high inflation rates for the first half of the 1980's (and probably for the remainder of the decade), how can the Canadian businessman or worker or consumer base his expectations on a non-inflationary situation? Given Canada's open economy, inflation is here to stay as long as it remains an international phenomenon.<sup>15</sup>

The best Canadians can hope to achieve is to keep the rates of general price increases in line with increases of the major industrialized nations who are Canada's competitors in international markets. To this extent, monetary policy and other economic policies can make an important contribution. But when such policies go considerably beyond this objective, the price is more unemployment and a lessening of per capita income, not an attractive alternative politically or socially. If a choice were put to a vote—double digit unemployment or double digit inflation—most Canadians would probably opt for a price increase of one or two percent points above 10 percent, rather than having more than a million unemployed walking the streets.

To this, my friends in the Bank of Canada could reply that my prescription for a price increase caters to popular demand and that I underestimate the benefits that can be achieved if the Canadian people could be persuaded to show more discipline and greater restraint. My answer is that "price stability" is an unachievable objective in our imperfect world and that it makes more sense to pursue a middle-of-the-road course. Realism may counsel Canadians to accept a degree of inflation as a way of life—the task being to keep this degree within bounds to safeguard Canada's international competitiveness and to prevent runaway inflation.

#### **GOVERNMENT BUDGET DEFICITS**

In 1979, the federal government budget deficit amounted to \$9.2 billion 16 or 3.5 percent of GNE. The corresponding figures for 1977 are \$7.7 billion or 3.7 percent, and for 1978, \$11.4 billion or 5 percent. When the Conservatives came to power after the election of May 22, 1979, they planned to reduce the budget deficit for 1980 to \$8 billion or 2.8 percent of the GNE, and for 1981 to \$7 billion or 2.1 percent. But when the Liberals returned to power on February 8, 1980, their lessened emphasis on restraint made it likely that the budget deficits for 1980 and 1981 would exceed that of 1979. Since the GNE was also rising, Canada could manage a \$10.3-billion budgetary deficit without increasing the "burden" on the economy,

that is, it could maintain the 1979 ratio. Even if the 1977 ratio applied, a deficit of some \$11 billion would be manageable. It is also true that in a period of recession, a budgetary deficit tends to mitigate the adverse effects of the economic downturn.

The Department of Finance projections of the budgetary deficit for 1985 are not useful because they are based on Conservative government policy assumptions that no longer apply. The Economic Council has made independent projections of the deficit for 1985 suggesting a range of between \$11 billion (assuming fiscal policies of restraint) and \$21 billion, based on highly stimulative measures. The low or the high estimates suggest that the ratios to GNE may vary between 2.2 and 4 percent. Taking a mid-point of 3.2 percent, the ratio would be considerably below what the Canadian economy has previously absorbed, in particular below the 1977 and 1979 ratios.

What matters is not so much the absolute level of the budgetary deficit but the relative importance of that deficit to the economy as a whole. From a national point of view what matters is not so much what the federal government does but what all Canadian governments are doing. On this basis, the situation appears to be a great deal more favorable than the above figures indicate. In 1979, for example, provincial and municipal governments recorded budget surpluses and there were large accumulations in the Canada Pension Plan (from which nine provincial governments were borrowing) and the Quebec Pension Plan, on which the Quebec government drew to finance internal development. These funds totaled \$3.4 billion, so that including all government and public pension plans the deficit was in fact reduced to \$5.8 billion in 1979. By 1985, on a comparable basis, according to the Economic Council, Canada may face either a budgetary surplus of \$2 billion or a deficit of \$4 billion.

In 1985, the Economic Council expects provincial governments to be in a stronger fiscal position than ever before, with surpluses in the \$7-billion to \$12-billion range. The Canadian government, on the other hand, may be facing a deficit of between \$11 billion and \$22 billion. There was a time when provincial governments complained bitterly that their responsibilities were growing by leaps and bounds while the main financial strength was in the hands of the federal government. Now in one year a single provincial government, Alberta, can chalk up a budget surplus of about \$5 billion, equivalent to about half the federal deficit.

This change in relative fiscal strength explains in part the much tougher stance that the federal government has taken in its discussion with the provinces about constitutional reform. There are important political, social and economic principles involved, including provisions ensuring that Canadians can work, earn a living and own property wherever they choose. Control over offshore and inland natural resources and energy, fisheries, communications, equalization payments and regional disparities are also involved. Other subjects under consideration involve patriation† of and amendments to the constitution, a charter of rights, family law, a new Upper House to replace the Senate, and appointments to the Supreme Court of Canada.

While many arguments have dealt with principles, the basic issue is which level of government will have more effective access to the public purse. It will take years to resolve the constitutional questions raised. In the meantime, Canadians may have to accept the fact that it is difficult for the federal government to reduce its budget deficits significantly, because of its heavy commitments in the social security field and the growing interest burden on the national debt.

The Economic Council concluded:

The Federal Government is in a poor position to continue to play its major role in economic management, equalization of provincial revenues, and the conduct of major national policies. In most areas of economic policy, achieving national objectives will require extensive provincial participation, or these objectives may never be met.

Over the long term, common sense may well prevail. The federal government contributes billions of dollars every year to provincial programs. There is no reason why some of the provinces with adequate fiscal capacity could not pay for these programs themselves or raise taxes to finance them. This would give the federal government greater flexibility in fiscal management and in funding worthwhile programs for economic development.

# BALANCE OF PAYMENTS DEFICIT AND THE CANADIAN DOLLAR

In 1979, Canada had a balance of payments deficit of \$5 billion, equivalent to 1.9 percent of the GNE. In 1978, the figure was a little higher, \$5.3 billion, a record for the postwar period, 2.3 percent of the GNE. The deficit is likely to rise moderately in 1980 and more significantly in 1981, possibly approaching \$7 billion. The Department of Finance has not prepared a projection of this deficit for 1985 but in its overall

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<sup>†</sup>A term used by Canadian constitutional experts referring to efforts to establish a Canadian rather than a British-derived constitution.

"The defeat of the separatist proposal has not solved Canada's fundamental problem, because the great majority of francophones in Quebec are unhappy with the present federal system."

# Separatism and Quebec

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MERICANS are often confused by Canadian politics, especially by the politics of federation and Quebec separatism. Thus many Americans may have been surprised when the French-speaking citizens of Quebec rejected a separatist referendum by a sizable margin in 1980. Canada's federal and cultural problems run deep and, to some extent, the United States itself is one of them.

Canada is a federation of ten provinces and two sparsely populated territories. Nine of the provinces are predominantly English in their language and culture; the exception is Quebec, which is overwhelmingly French. The French-speaking citizens of Quebec (francophones) believe that to survive as a separate culture they have to fight against a continuing current of anti-French or pro-English prejudice in the rest of Canada. They argue, moreover, that because they are French they have been denied a fair share of Canadian prosperity. The heart of the problem concerns Canada's dual English and French heritage and Canada's inability to develop a national identity satisfying to both cultures.

In 1763, at the end of the Seven Years War, Great Britain acquired control of New France, renamed it Quebec, and assumed responsibility for governing a colony of 60,000 francophones. In a remarkable display of tolerance for the time, the British allowed the French Canadians to retain their language, their Catholic religion, and part of their legal system. This policy proved troublesome when English-speaking settlers (anglophones) moved into the colony after the American Revolution. After an effort to solve the economic and cultural problem by dividing French Quebec failed, in 1838 Great Britain sent an extraordinary politician, John George Lampton, Earl of Durham, to settle "the Canadian question." Durham attributed the problem to "the vain endeavour to preserve a French-Canadian nationality in the midst of Anglo-American colonies and states" and recommended the reunion of Ontario and Quebec in order to drown the French in an English legislature with English laws and the English language.1

The British government approved Durham's rec-Gerald M. Craig, ed., *Lord Durham's Report* (Toronto: McClelland and Stewart Limited, 1963), p. 50. ommendation to unite the two colonies under a single legislature, but the French culture was not eliminated. Instead, there was a sharp acceleration in the development of a distinct French-Canadian identity, and political reality dictated the rapid restoration of French language rights in the legislature. Twenty years after the reunion of Quebec and Ontario a combination of events, including political stalemate and the American civil war, made it clear that a confederation of all the British colonies in British North America offered the greatest hope for the future.

John A. Macdonald and his ally from Quebec, Georges Etienne Cartier, fathered the Canadian Confederation, which included New Brunswick, Nova Scotia, Ontario and Ouebec. It was not easy to persuade any of the colonies to accept federation under a strong central government; but Cartier found it especially difficult to convince his suspicious colleagues in Quebec that their interests would be best served by the new Dominion of Canada. He argued that if a united Canada were not created, the United States would eventually absorb the separate colonies and Quebec's French culture would not survive in a greater American state. Moreover, the British North America Act of 1867, which created the new nation, contained explicit protection for traditional French rights in Quebec, including language, education and law. Even with these assurances, the representatives of Quebec voted in favor of confederation by the narrow vote of 27 to 22, and the general population was not given the opportunity to vote at all.

The depth of English-French antagonism was revealed repeatedly in the century after confederation. The Riel Rebellion, the Manitoba School Question and French Canadian resistance to conscription in World War I pitted Quebec against the other Canadian provinces. Through the 1920's and the 1930's, English-French differences were overshadowed by Canada's success in establishing its autonomy in international affairs and by the depression that brought economic misery to anglophones and francophones alike. French Canadian dissatisfaction with the basic economic situation was, however, never far beneath the surface. In Quebec, minority

anglophones retained control of the most significant business and financial institutions. Lower echelon corporate officers might speak French at home, but the language of business was English. Francophones tended to be farmers, laborers and clerks. English-French antagonism flared again during World War II when 80 percent of English-speaking Canada supported a plan to authorize conscription and 70 percent of French-speaking Canada rejected it.

#### A NEW ROLE FOR QUEBEC?

In the years after World War II, rapid industrialization and technological development drastically undermined Quebec's conservative and traditional society. Francophones became more vocal in demanding a larger share of Quebec's wealth from the anglophone directors and stockholders of Quebec's financial and industrial establishment. Moreover, French Canadians associated their goals with a new role for Quebec in the Canadian political system. The Liberal provincial government of Jean Lesage elected in 1960 inaugurated the "quiet revolution," a series of sweeping social and economic reforms, which further fueled the emotions and confidence of Quebec's majority.

In the mid-1960's, Lesage's successor, Union Nationale Premier Daniel Johnson, broached Quebec's fundamental problem, suggesting that equality for French Canadians should come through a new constitution. For some francophones, constitutional change and a new role for Quebec within the federal system would not be enough. Extremist groups, like the Front pour la Liberation du Quebec (FLQ), demanded immediate independence and emphasized their demands between 1960 and 1970 by terrorizing the province with a series of bombings and political kidnappings. A firm response from Ottawa ended the violence; but as the constitutional debate developed, more Quebecers concluded that independence was desirable and perhaps necessary. The fortunes of the separatists were temporarily checked in the national elections of 1968, when Canadians (some of whom seemed to feel a guilt complex about Quebec), elected the charismatic French Canadian leader of the Liberal party, Pierre Elliott Trudeau, as their Prime Minister. Trudeau had impressed anglophones by his commitment to Canada's federal system, while he held the support of francophones by his promise to make Canada a truly bilingual and bicultural country.

In office, the new Prime Minister vigorously pro
<sup>2</sup>The constitution of Canada is the British North America
Act of 1867, which can be changed only by action of the
British Parliament. At present, there is no agreement
between the federal government of Canada and several
provinces, particularly Quebec and Saskatchewan, as to
how to establish a Canadian rather than a British-derived
constitution.

moted equal opportunity for francophones and anglophones within the federal service and endorsed and participated in a series of meetings with the provincial premiers to discuss the modification of the constitution.<sup>2</sup> Some anglophones felt that Trudeau tried to change too much too quickly; this prompted a backlash against French Canadian aspirations. Anglophones booed the French version of the national anthem; the Ontario government shelved plans to legalize certain French language rights in the province; and many Canadian universities stopped requiring students to learn a second language for admission or graduation. Conversely, many French Canadians felt that Trudeau did not move far enough or fast enough. In 1976, Quebecers stunned Canada by electing a government dedicated to achieving the independence of Quebec. René Lévesque's Parti Québécois (PQ) won 71 of 110 seats in the Quebec National Assembly and 41 percent of the popular

René Lévesque is a former journalist who entered politics as a Liberal in 1960. As a minister in Jean Lesage's government, he gained popularity in Quebec when he successfully advocated the nationalization of hydroelectric facilities and the creation of Hydro-Quebec, a public corporation. Lévesque gradually became convinced that Quebec could not achieve a fair deal in the Canadian federation, arguing that the federal government had constantly expanded its authority at the expense of the provinces and that this expansion worked for the benefit of Canada's English majority. He cites unwarranted federal intervention in provincial jurisdictions, like labor relations, municipal affairs, natural resources and cultural affairs. He also argues that because of Quebec's low birthrate and immigration, Quebec's ability to influence federal policy will be even weaker in the future. He sees independence for Quebec as the solution to these problems.

In 1967, Lévesque left the Liberal party and organized the separatist Mouvement Souverainte-Association. One year later, he merged his own movement with two other separatist groups, the Rassemblement pour l'Independance National and the Ralliemant National, to form the Parti Québécois (PQ). Lévesque's growing support was evident by 1973, when the PQ won 30 percent of the votes cast in the provincial elections.

The PQ victory in 1976, however, was not an unqualified victory for separatism. PQ candidates ran more against the Liberal government's record than for separatism, and Lévesque promised that there would be no unilateral declaration of sovereignty without the endorsement of this step in a referendum. He declared that, if the PQ were elected, it would begin discussions on sovereignty with Ottawa, but he added, "There is not a snowball's chance in hell that the

federal government would agree to give us back full powers."3

In office, the PQ government took strong steps to ensure the identification of Quebec as a French province. Law 101, the Charter of the French Language passed in 1977, went far beyond the previous Liberal government's efforts to promote the use of French. Law 101 designated French as the language of the legislature and courts in Quebec, severely restricted education in the English language, and legislated francization in Quebec's business community. The charter required the use of French at all levels and in all aspects of business, including management, internal relations, advertising and labor relations; the general use of French was the ultimate objective for factories, workshops, retail stores and financial institutions. The francization policy has cost Quebec the loss of some corporate headquarters, but so far the feared large-scale exodus of big business has not occurred, and one recent analysis suggests that the long-term loss of jobs in Quebec as a result of francization will be less than one percent.4 In December, 1979, the Supreme Court of Canada ruled unconstitutional those parts of Law 101 designating French as the official language of the province and requiring the use of French in the legislature and courts, but the court left standing the sections concerning education and business.

#### THE PROPOSED REFERENDUM

The question of a referendum concerning Quebec's relationship with the rest of Canada was a far more difficult problem for Lévesque. A series of polls in 1978 and 1979 revealed that a majority of Quebec's total population and a majority of Quebec's francophones opposed secession. The promised referendum was postponed until the PQ leadership could determine exactly what it wanted to propose to the voters. The difficulty the PQ government faced is evident from the perplexing results of an in-depth survey on the constitutional views of Quebecers released in 1979. Only 15 percent of the respondents favored the existing constitution. Fifty-four percent said they would vote to give the Quebec government a mandate to negotiate sovereignty-association with Ottawa, but 66 percent believed it was advantageous to be part of Canada. Seventy-two percent said they would vote "no" if the referendum question was "Are you in favor of independence."

In November, 1979, the PQ government released its proposal for Quebec's future in a 110-page white paper entitled Quebec-Canada: A New Deal. The white paper reviewed the historic difficulties of French Canadians, described federalism as a system that had failed and could not be modified successfully, and proposed a new constitutional relationship with Canada called sovereignty-association. Through sovereignty, Quebec would acquire total control of its laws, taxes, territory, citizenship, minorities, courts and external relations, including defense. Association involved an economic treaty to be negotiated with Canada, which would maintain the Canadian dollar as a common currency, ensure the movement of goods without customs barriers, and allow the free movement of people from one territory to another. The proposal included four joint Quebec-Canada agencies to manage the economic association: a Community Council, a Commission of Experts, a Court of Justice, and a Monetary Authority. The white paper also discussed the implications of the proposed referendum, but it left the text of the referendum question to "depend in part on the period of reflection and debate of the next few months. . . . "6

The PQ white paper was condemned unanimously by the Liberal party in Quebec, the federal government, and the provincial premiers. The Quebec Liberal party leader, Claude Ryan, who was preparing his own proposals for constitutional change, charged that the white paper was biased and accused the PQ of ignoring the benefits of federalism. Pierre Elliott Trudeau's successor, Prime Minister Joe Clark, said that the white paper was "incompatible with the continuation of federation and absolutely unacceptable to the government of Canada."7 The provincial premiers offered similar criticism and pointed out that the proposal was not in their economic interests. Criticism of the white paper continued until attention was diverted from Quebec's problems to the unexpected defeat of Prime Minister Clark's federal government. Clark and his opponent, former Prime Minister Pierre Elliott Trudeau, quickly agreed that they would not turn the federal election campaign into a pre-referendum campaign. On December 21, Lévesque announced the exact wording of the referendum question to be offered the voters in the spring of 1980.

The Government of Quebec has made public its proposal to negotiate a new agreement with the rest of Canada based on the equality of nations.

This agreement would enable Quebec to acquire the exclusive power to make its laws, levy its taxes and establish relations abroad—in other words, sovereignty—and at the same time to maintain with Canada an economic association including a common currency.

No change in political status resulting from these

<sup>&</sup>lt;sup>3</sup>John Saywell, *The Rise of the Parti Québécois 1967-1976* (Toronto and Buffalo: University of Toronto Press, 1977), p. 146.

<sup>&#</sup>x27;Yvan Allaire and Roger E. Miller, Accent Quebec: Canadian Business Response to the Legislation on Francization in the Workplace (Montreal: C. D. Howe Research Institute, 1980), p. 39.

<sup>&</sup>lt;sup>5</sup>Canada Weekly, October 17, 1979, p. 3.

Government du Quebec, Conseil executif, Quebec-Canada: A New Deal (Bibliotheque nationale du Quebec, 1979), p. 79

<sup>&</sup>lt;sup>7</sup>Canada Weekly, November 21, 1979, p. 5.

negotiations will be effected without approval by the people through another referendum.

On these terms, do you agree to give the Government of Quebec the mandate to negotiate the proposed agreement between Quebec and Canada?<sup>8</sup>

The language of the referendum was clearly an effort to soften the issue for the voters. Lévesque had accepted Quebec Intergovernmental Affairs Minister Claude Morin's policy of "etapisme," step-by-step progress toward independence.9 Quebecers were not asked to vote yes or no for independence; they were asked only to give the PQ government approval to negotiate. If the government received such a mandate, any agreements reached with Ottawa would be submitted to the people in a subsequent referendum. Claude Ryan described the language as a complete fraud, totally confusing and an effort to camouflage the Parti Québécois's goal of independence. Ryan was in a difficult position, however. It was politically necessary for the Quebec Liberals to offer some positive plan of their own, to counter Lévesque's white paper on sovereignty-association. Ryan and the Liberals were unwilling to abandon Canadian federalism but they were equally unwilling to accept continuation of the status quo for Quebec.

#### THE LIBERAL "BEIGE PAPER"

The inherent problems of the in-between position are evident in A New Canadian Federation, the proposals for constitutional change offered by Quebec's Liberals in January, 1980. The 145-page document was immediately labeled the "beige paper." Ryan proposed the protection of basic language rights, including education, in the federal constitution, the abolition of the Canadian Senate in favor of a new Federal Council, and considerable expansion of provincial powers, particularly in cultural affairs. The proposed Federal Council, in which Quebec would be guaranteed 25 percent of the seats, would have broad powers in all areas having substantial regional or provincial impact, including ratification of appointments to the Supreme Court and limitations on federal spending power. As expected, René Lévesque attacked the Liberal proposals as leaving the federal government too much power. Reaction outside Quebec varied from cautious noncommittal to mild appreciation. Most Canadians appeared more interested in the federal elections, which restored Trudeau to office in February, 1980.

On April 16, 1980, after lengthy debate in the Quebec National Assembly, René Lévesque announced that the long-delayed referendum would be

held on May 20, 1980. "Yes" and "no" committees were organized, and each group received \$1.1 million in public funds for the referendum campaign. Lévesque's announcement marked the formal beginning of an increasingly bitter and deeply divisive campaign that had begun several months earlier. The "yes" group, the Regroupment National pour le Oui, was headed by Lévesque, but the Premier appeared to avoid overly close identification of a "yes" vote with support of his Parti Québécois, which had lost seven straight by-elections. Instead, Lévesque launched a sophisticated television campaign augmented by popular rallies for "oui" voters. He vigorously assailed Canada's historic treatment of Quebec, accused the federal system of stifling Quebec's growth, and appealed to the patriotism of Quebecers. Defeat of the proposal, he argued, "would mean another 25 years of going around in circles." Lévesque's high powered and emotional campaign quickly reversed the results of earlier polls and put the yes camp in the lead.

In contrast, the Committee for Quebecers voting "no," chaired by Claude Ryan, started off slowly and defensively. Ryan appeared to have difficulty defending Canadian federalism against Lévesque's appeal to provincial loyalty, and his campaign was slowed by his preference for a person-to-person approach. The "no" campaign received a significant boost when Parti Québécois Minister Lisa Payette implied that women who planned to vote no were "Yvettes," stereotypes of women in unflattering traditionalist roles. Many women resented the remark; instead they organized "Yvette" groups throughout the province to support a "no" vote. Ryan also won the support of former Quebec Premiers Jean Lesage and Robert Bourassa. In the final week of the campaign, Prime Minister Trudeau sharply increased federal support for a "no" vote, combining massive commercial advertising with a strong personal appeal. In Montreal, he told voters that he would interpret a "no" victory as a mandate for constitutional change to meet Quebec's needs while maintaining the federal system.

#### SEPARATISM SETBACK

The election on May 20, 1980, was a bitter disappointment for René Lévesque and a major setback for separatism. With 84 percent of the electorate voting, Quebecers defeated the Parti Québécois proposal 59.5 percent "no" to 49.5 percent "yes." The defeat was

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<sup>\*</sup>Canada Today, vol. 11, no. 4 (April, 1980), p. 2.

<sup>&</sup>quot;For a detailed explanation of Morin's views see Claude Morin, Quebec versus Ottawa: The Struggle for Self-government 1900-72 (Toronto: University of Toronto Press, 1976).

<sup>1&</sup>quot;Macleans, April 28, 1980, p. 18.

"In relative terms, Canada has consistently provided a large volume of food aid on highly concessional terms. . . . Increased attention to the food-related needs of LDC's is in the long-term interest of Canada and other developed countries."

# Canadian Food Policy and the Third World

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ANY less developed countries (LDC's) remain dependent on imports of basic foodstuffs, despite advances in domestic agricultural production. The United Nations Food and Agriculture Organization reports that LDC's currently import approximately 10 percent of their food requirements and that without remedial action this figure may increase to 20 percent by the year 2000.¹ Since Canada is a major wheat exporter, its policies are of particular importance to the third world; in recent years, Canada has ranked second in food aid disbursements after the United States. Thus Canada's first major foreign aid venture was a \$10 million wheat shipment to newly independent India in 1951.²

The Canadian International Development Agency (CIDA) operates and administers foreign assistance programs. Food aid is supplied by CIDA through three separate channels: (1) bilateral, to the recipient state directly; (2) multilateral, through an international organization (the World Food Program is the

'Secretary of State for External Affairs and Minister of State, Canadian International Development Agency (CIDA), "Canada in a Changing World—Part II: Canadian Aid Policy," November 30, 1979, in Minutes of Proceedings and Evidence of the Standing Committee on External Affairs and National Defense, June 10, 1980, p. 3A:143.

<sup>2</sup>CIDA, Annual Aid Review: 1973—Memorandum of Canada to the Development Assistance Committee of the Organization for Economic Co-operation and Development (Ottawa: September,

<sup>3</sup>Canadian data in this article are calculated from several CIDA sources: Material Management Division, Food Aid Coordination Evaluation Centre, and *Annual Reviews* 

<sup>4</sup>CIDA also provides a small amount of financial assistance for transport of foodstuffs supplied by NGO's.

<sup>5</sup>J.S. Lohoar, "Markets for Canadian Agricultural Exports in Developing Countries," unpublished paper, *Agriculture Canada*. Quoted in Diana Wisner, "Canada's Agricultural Trade with Developing Countries: An Analysis of the Past Level of Exports," *Canadian Farm Economics*, vol. 15, no. 1 (February, 1980), p. 3.

<sup>6</sup>According to the 1970 Canadian Foreign Policy Review, about 80 percent of total bilateral funds would be reserved for selected "countries of concentration." A policy paper released by CIDA and the External Affairs Department in 1975 ("Strategy for International Development Cooperation 1975-1980") promised even "greater geographic concentration" of bilateral aid.

major recipient); and (3) non-government organizations. The greatest proportion of food aid traditionally was bilateral, but multilateral aid has steadily increased, especially since the 1974 world food conference. From 1965-1966 to 1974-1975, multilateral disbursements ranged from 8 to 20 percent of total food aid. In 1975-1976 the multilateral proportion jumped to 40.5 percent, and since 1978-1979 slightly over 50 percent of Canada's food aid has been directed through multilateral channels. In contrast, the current multilateral figure for the United States is only about 8 percent.<sup>3</sup>

Differences between the Canadian and the American use of non-government organizations (NGO's) as conduits for food aid are equally striking. NGO's began to receive CIDA foodstuffs, in very small quantities, in 1975-1976; and in 1979-1980 only 1.1 percent of the agency's food donations were directed through these organizations. United States government sources had donated a total of about \$184 million in food aid through NGO's by 1975, and more than 25 percent of NGO income in the United States in 1975-1976 was in the form of food aid and its related transportation costs.

Food aid disbursed by CIDA is differentiated from credit (or concessional) food sales. The latter involve the financing on special terms of grain exports, through the Canadian Wheat Board, to LDC's and East European countries. The Wheat Board is a government-established national marketing monopoly that controls the foreign marketing of wheat, oats and barley. Credit sales have been helpful in gaining "entry to markets for which there is commercial potential but which had been closed to Canadian grain sales because of more competitive credit terms offered by other exporters."5 The volume of Canadian food sales to LDC's on normal commercial terms greatly exceeds the amount of aid and concessional sales, but many food aid recipients buy additional foodstuffs on commercial and/or concessional terms. The particular mix of assistance and sales depends on the LDC's foreign exchange position and on its relative importance in Canada's aid program.6

A potential conflict between Canadian domestic interests in aid-giving and the needs of LDC's is

reflected in the government structure for aid policy formulation and implementation. The Canadian International Development Agency is generally more concerned than other government agencies and departments with promoting LDC interests. CIDA's objectives must compete with those of departments involved with advancing Canada's economic position, including Industry, Trade and Commerce (IT&C), and Agriculture.

Concerns about cutbacks in CIDA funding because of Canada's current economic problems have prompted the agency itself to place greater emphasis on commercial benefits for Canada. Canadian aid is sometimes supported by domestic groups, but unlike the departments of Agriculture and IT&C, CIDA cannot depend on a reliable, long-term domestic constituency. In 1976, the Dairy Farmers of Canada, a federation of producer organizations, proposed increased Canadian milk powder aid to provide greater outlets for surplus production. However, substantial cuts in CIDA budgets for 1978-1979 and 1979-1980 encountered little protest from Canadians, even from groups with a special interest in foreign assistance.

CIDA's authority is not only challenged by commercially oriented departments but also by the Department of External Affairs. The agency is formally subordinate to External Affairs, its president holding a rank equivalent to a deputy minister. Since the External Affairs Minister represents CIDA in the Cabinet, the agency's bargaining position is weaker than many full departments. During the brief period when Joe Clark was Prime Minister (from June, 1979, to March, 1980), a Minister of State for CIDA was appointed; but he was responsible for the daily operations of the agency rather than for long-term policy formulation. With the return of a Liberal government under Pierre Elliott Trudeau, the post of Minister of State for CIDA was abolished. The External Affairs Department is involved in many issues unrelated to the third world, so that its differences with CIDA are hardly surprising:

There is a continuing problem in reconciling the inevitable insistence of CIDA officials on being policy initiators and the determination of External Affairs

<sup>7</sup>A.S. McGill, The Role of the Department of External Affairs in the Government of Canada, Part III (Ottawa: Department of External Affairs, June 1976), p. 11.

<sup>8</sup>Capital supplied to multilateral institutions is, in practical terms, equivalent to grants. (See CIDA, Policy Branch, "A Preliminary Comparison of Canada's 1976 Aid Efforts with those of Other Members of the Development Assistance Committee of the OECD," April, 1978.)

<sup>9</sup>The list of 31 "least-developed" countries was adopted by the United Nations General Assembly on November 27, 1971. Countries with extremely low per capita incomes, literacy rates, and percent of manufacturing in the gross domestic product are included. The "most-seriously affected" countries, including a list of 45 by 1977, have been severely affected by the global food and energy crises. officials to keep a branch of foreign policy which concerns relations with two-thirds of the world firmly within their purview.<sup>7</sup>

CIDA's subordinate role in policymaking both reflects and contributes to the priority that Canadian economic and political interests are often given relative to LDC requirements. Food aid is therefore designed in part to bolster the Canadian economy by promoting surplus utilization, value-added benefits, and trade expansion.

#### SURPLUS UTILIZATION

Surplus utilization has been a primary economic motivation for supplying food aid. Canadian donations to LDC's are often an alternative to destroying perishable food surpluses or to paying expensive storage costs for nonperishable foodstuffs. Surpluses have contributed to Canada's willingness to provide highly concessional food aid and to supply increasing amounts of food through the multilateral World Food Program. The benefits for LDC's must be weighed against the fact that food supplies dependent on surpluses are often erratic and that the foods available are sometimes inappropriate to LDC needs.

Canadian foreign aid in general is highly concessional; about 80 percent of official development assistance is provided as grants or their equivalent, and the remaining 20 percent is provided as loans.8 Most LDC's have received loans at zero interest, 10 years grace, and 50 years maturity, while the terms for some higher income LDC's have been three percent interest and shorter maturities. The terms for food aid in particular are even more concessional, since surplus commodities are often provided. Indeed, almost all Canadian bilateral food aid has been supplied on a grant basis. In 1978-1979 and 1979-1980, the only exceptions were CIDA loans to Jamaica (whose per capita GNP exceeds \$1,000) for purchasing foodstuffs. Since grant food aid is the norm, a large proportion of it has been directed to the poorest LDC's. In 1979-1980, 87 percent of Canadian food aid dollars went to the United Nations list of "most seriously affected" countries, and 55.3 percent to the "least developed" countries.9

The existence of surpluses has also contributed to Canada's willingness to make substantial donations through multilateral channels. Since most of Canada's World Food Program (WFP) pledge consists of commodity contributions, it is essentially "tied" to the purchase of Canadian foodstuffs. Food aid therefore provides an outlet for surpluses when it is given in multilateral as well as bilateral form. In contrast, other multilateral aid (through the World Bank group, for example) is not usually tied to purchases in the donor country. Multilateral food aid is also attractive to a small country like Canada because the WFP helps defray administrative and transportation costs.

Canada does not usually provide enough funding to pay for ocean transport of all foodstuffs donated to the WFP, but it usually pays fully for the transportation of bilateral food aid. Finally, Canada has been less inclined than major powers like the United States to use bilateral food aid as a means of political influence. It is hardly surprising that Canada provided over 50 percent of its food aid through multilateral channels in 1978-1979 and 1979-1980, and ranked first among donor countries in terms of multilateral food aid in 1976 and 1977, and second (after West Germany) in 1978

Developing countries tend to prefer multilateral aid, because bilateral aid is more frequently associated with charity and politics. Furthermore, the WFP sponsors numerous food-for-work and vulnerable-group-feeding projects which are often successful in reaching the neediest. In contrast to WFP projects, most Canadian bilateral food donations are provided as "program aid," which finances the importing of foodstuffs related to the total needs and development plans of the recipient. CIDA clearly lacks sufficient personnel with technical expertise to emphasize project food aid. Program food is typically sold within the recipient LDC for "counterpart funds" that are to be utilized for development purposes; but there is considerable evidence that the funds are frequently not so used. Because some major recipients of Canadian bilateral food aid, like Bangladesh, have a rationing system for sale of the foodstuffs that is biased against the undernourished rural poor, World Food Program project aid is often more effective than program aid in reaching the poorest individuals in the LDC's.10

The relationship between surpluses and Canadian food aid may also have detrimental effects on recipient LDC's. Surpluses frequently lead to competing pressures in Canada to provide more food aid, on the one hand, and to decrease production, on the other. Since aid increases often precede production cutbacks, LDC's become dependent on food donations and then find them suddenly declining. Thus the accumulation of massive wheat stocks in the late 1960's led to dramatic increases in Canadian food aid; but the surplus also lead to the "Lower Inventory for Tomorrow" (LIFT) program, a one-year adjustment program providing Canadian farmers with financial in

<sup>10</sup>The relative merits of program and project food aid are discussed in Hartmut Schneider, *Food Aid for Development* (Paris: Organization for Economic Cooperation and Development, 1978).

"World Food Program Committee on Food Aid Policies and Programs, "Establishment of Minimum Food Aid Targets for Dairy and Fish Products, Oils and Fats," 2d Session, 1976, WFP/CFA: 2/7-C (Rome: November, 1976).

<sup>12</sup>CIDA, President's Office, "Directions for the Agency from Now until the 1980's," by Michel Dupuy (Ottawa: December 7, 1977), p. 2.

centives to institute drastic cutbacks in wheat production. The global food shortages in 1972-1973 resulted partly from LIFT and similar cutback programs in the United States and Australia.

Surplus Canadian foodstuffs are not always appropriate to LDC requirements. If the donated food cannot be efficiently produced within the LDC, long-term dependence on imports may develop. In addition, the needlest individuals in certain countries find Canadian donations unfamiliar and/or unacceptable for nutritional and cultural reasons. For example, some recipients of milk powder aid have suffered from "lactose intolerance," or diarrhea, abdominal cramping pain, and flatulence when drinking milk. The prevalence of lactose intolerance varies among racial and ethnic groups, but it is far more common among people of non-European ancestry.

More suitable commodities could be provided to some LDC's through "triangular aid," or "the purchase by ... a bilateral donor [e.g., Canada] of commodities produced by a developing exporting country for food aid to another developing importing country."11 Triangular aid has the additional advantages that foodstuffs can be shipped more rapidly from nearby locations during emergencies and that agricultural production in LDC's is encouraged. A recent example of triangular aid is Canada's commitment to purchase, transport and distribute 13,000 metric tons of sorghum to Chad, Gambia and Senegal. Sorghum is the most commonly consumed grain in the region, but it is not grown in Canada; so it will be purchased on LDC markets. However, triangular aid will never become a major feature of Canadian (and other) assistance programs because it does not support Canada's efforts to promote its own food exports and to utilize its surpluses.

In addition to surplus utilization, value-added benefits from processing are another advantage Canada gains from providing food aid. CIDA's traditional preference for less processed food aid has often conflicted with the interests of the Department of Industry, Trade and Commerce, the Canadian Millers Association and the Canadian Rapeseed Crushers Association. The latter groups prefer to see the processing benefits (development of facilities, increases in employment, and benefit of by-products) accrue to Canada, while CIDA has maintained that the LDC's should receive these advantages. However, concern about funding cutbacks because of current economic difficulties have prompted CIDA to alter its position:

Considering the economic situation which prevails in Canada at this time—(relatively high unemployment and inflation levels)—CIDA will make a particular effort to carefully monitor the commercial and economic benefits accruing to the Canadian economy. . . . Priority will be given to the use of Canadian components with a high value-added content. 12

A prime example of the pressure for domestic processing is decisionmaking with regard to rapeseed aid. Rapeseed is an oilseed grown in Canada primarily for export and is competitive with other oilseeds like soybeans. Japan is by far the major commercial importer of Canadian rapeseed, followed by the European Community (EEC). Tariff barriers in Japan and the EEC tend to exclude rapeseed oil imports, so that Canada must export primarily unprocessed rapeseed to these countries. Canadian rapeseed crushing plants therefore viewed the aid program increasingly as an outlet for their products. Accordingly, the amount of unprocessed rapeseed aid declined, and the amount of rapeseed oil aid increased every year from 1972 to 1977; in 1976-1977 CIDA's rapeseed aid was supplied totally in processed form. CIDA has also subsidized Canadian rapeseed crushers by offering them higher prices than they receive from commercial purchasers, prompting the following statement by a representative of Cargill Grain (Canada) Ltd.:

We are in full support of the value-added concept whereby we process our agricultural commodities on the prairies where economically feasible rather than ship them overseas. The construction of several rapeseed crushing plants is a step in that direction. There is growing concern, however, that when Ottawa tenders to buy oil under the CIDA aid program, prices offered . . . far exceed the concept of value-added. The two most recent examples have been purchases for India and Bangladesh. There was only one buyer in the world that would have paid the price that was offered by these crushing plants—and that buyer was the Canadian government. Selling oil at prices over what these same plants will offer other buyers besides the government is not in the best interest of the rapeseed producer, the Canadian taxpayer or the recipient of the aid.13

#### **TRADE BENEFITS**

There is an expectation that food aid will (or should) contribute to improved trade prospects for Canada. In 1978, 32 percent of all Canadian agricultural exports were directed to LDC's; 90 percent in commercial and credit sales, and the remaining 10 percent in aid. The ratio of commercial exports to total exports has been increasing steadily for some major aid recipients, like India and Pakistan. Pakistan's proportion of commercial food imports from Canada rose from 9 percent during 1969-1971 to 44 percent during 1976-1978; Pakistan is evolving from a major food aid recipient to a significant commercial importer. India has been one of the main recipients of

Canadian rapeseed aid, and it is hoped that India will become an important commercial importer. However, Canada will have to compete with countries much closer to India that produce other oils for export.

To increase wheat sales to LDC's, Canada improved the credit terms it offered in the late 1960's. Previously, the best terms were 10 percent cash on delivery, with the balance due in three years at an 8 percent interest rate. In contrast, a sale to Algeria in 1972 called for 10 percent cash on delivery, with the balance due in 10 years at an interest rate of 4.75 percent. Wheat and flour sales therefore increased to many LDC's, including Algeria, Brazil, Egypt, Pakistan, Peru, the Philippines and Syria.

Despite the growing importance of Canadian food exports to LDC's, Canada's overall trade links remain oriented largely towards more developed states. Only about 8 percent of total Canadian exports, including those financed by the aid program, are directed to the third world. In contrast, LDC's absorb approximately 45 percent of Japanese exports, 37 percent of American exports and 18 percent of EEC exports. The proportion of total imports coming from LDC's is also higher for Japan, the United States and the EEC than for Canada, even if petroleum trade is excluded. There are several reasons for Canada's weak trade links with the third world; 70 percent of Canadian trade is with the United States; Canada frequently competes with the LDC's as a commodity exporter; branch-plant industries in Canada have limited export capabilities; and Canada has no "natural" links with a major third world region as Japan, the EEC, and the United States have with Asia, Africa and Latin America, respectively.

The small proportion of overall Canadian trade with the LDC's helps explain Canada's lack of attention to third world requirements with regard to agricultural imports. In 1972-1973, many LDC's were unable to purchase foodgrains for human consumption, even on commercial terms, because massive Soviet grain purchases for animal feed (primarily from the United States) had depleted supplies. To prevent a recurrence of this situation, former CIDA president Paul Gérin-Lajoie proposed that LDC's be given the "right of first refusal" to purchase a certain proportion of Canadian grain on a commercial basis. This would prevent the wealthiest customers, like the Soviet Union, Britain and Japan, from capturing the entire market.14 The Canadian business community and the Wheat Board emphatically rejected Gérin-Lajoie's proposal, maintaining that it would disrupt Canada's export business. Developed countries were viewed as more regular, better paying customers that did not require concessional terms.

In view of CIDA's minimal influence over trade issues with the third world, the right of first refusal has not been implemented. Several recent studies,

<sup>&</sup>lt;sup>13</sup>Jan Waye, "1976 Edible Oil Surplus," in Proceedings of Ninth Annual Meeting, Rapeseed Association of Canada (Winnipeg, March, 1976), pp. 16-17.

<sup>&</sup>lt;sup>14</sup>Paul Gérin-Lajoie, "Notes for a Speech by the President of CIDA to the Semi-Annual Meeting of the Canadian Grains Council" (October 29, 1975), p. 1.

however, indicate that there is considerable potential for increased Canadian trade links with LDC's. 15 It is conceivable that more attention will be given in the future to trade concerns of LDC's in the food and agricultural area.

#### FOOD AID AS A SOURCE OF POLITICAL INFLUENCE

Although Canada often uses food aid to advance its economic interests, it does not usually withhold assistance to try to exert political influence. Even the United States has experienced only limited success with "food power" efforts, so a smaller country like Canada rarely contemplates such action. Denying food to hungry peoples is also frequently considered unacceptable on ethical grounds. Canada was outraged when India conducted a nuclear explosion on May 18, 1974, after 18 years of Canadian nuclear aid for peaceful purposes. Nuclear cooperation with India was suspended, but the Minister for External Affairs reported that "everything other than food and food production aid" was being reviewed. Indeed, Canada approved a \$25-million aid grant to India for the purchase of wheat only ten days after the nuclear

There have been a few cases, however, when food aid was denied for political purposes. Such action was taken against Indonesia during the early 1960's, when President Sukarno adopted hostile policies toward newly independent Malaysia. Food aid to Indonesia was resumed only after Indonesia agreed to establish peace in the area. A confluence of factors, including Canada's Commonwealth ties with Malaysia and sanctions by other Western donors, contributed to Canada's denial of food aid. 16

In 1978-1979, Canada also suspended all new bilateral aid commitments, including food aid, to Vietnam because of Vietnam's mistreatment of the ethnic Chinese and its invasion of Kampuchea (Cambodia). At the October, 1979, meeting of the World Food Program governing body, Canada (along with the United States) proposed that further multilateral aid to Vietnam be postponed. The Vietnamese case notwithstanding, Canada has not usually attempted to inject human rights considerations into the decisions of international aid organizations. There is

concern "that such action could lead to the politicization of the institutions and might impair their effectiveness." Thus, Canadian foodstuffs were sent to Uganda and Cuba through the World Food Program, despite decisions to decrease or terminate bilateral aid to these countries.

Canada has also been reluctant to suspend bilateral assistance (including food aid) to countries that are strategically important to the Western world. Indonesia, for example, has been accused by Amnesty International of serious human rights violations; but Canada has not considered withholding aid from that country as it did in the 1960's. A statement by a former CIDA president in 1976 indicates that Indonesia is perceived as "an important factor for the stability of southeast Asia." 18

### AGRICULTURAL RESEARCH AND TECHNICAL ASSISTANCE

Since Canadian food aid policy is often affected by economic self-interest, it is in the long-term interest of LDC's to decrease their reliance on food aid. Technical assistance and research to increase third world agricultural production are the best ways to achieve this. Although the 1974 World Food Conference called on industrialized states "to substantially increase their official development assistance to agriculture in developing countries," major increases in such aid have not generally occurred. In relative terms, however, Canada has been among the more generous and innovative of donor states.

Some agricultural research is supported by CIDA, but the International Development Research Centre (IDRC) in Ottawa is the main channel through which research in LDC's is supported. IDRC was created by the Canadian government in 1970 as a public corporation with considerably more independence than government agencies like CIDA. Ten of 21 members on IDRC's Board of Governors are non-Canadian, and its international staff is drawn from about 30 countries. Unlike CIDA, IDRC's funds are completely untied, enabling it to support indigenous research by LDC's nationals. IDRC provides assistance through six program divisions; "Agriculture, Food, and Nutrition Sciences" is the largest division, absorbing over 45 percent of the center's financial disbursements in 1976-1977.

In recent years, several donor states, including (Continued on page 145)

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<sup>&</sup>lt;sup>15</sup>See for example, Wendy Dobson, Exports to Developing Countries: An Opportunity for Canada, HRI Observations no. 20 (Montreal: C.D. Howe Research Institute, July, 1979).

<sup>&</sup>lt;sup>16</sup>T. Cohn, Canadian Food Aid: Domestic and Foreign Policy Implications (Denver: University of Denver, Graduate School of International Studies, 1979), chapter 7, and "Politics of Canadian Food Aid: The Case of South and Southeast Asia," presented to Canadian Council of Southeast Asian Studies (Vancouver, November 10, 1979).

<sup>&</sup>lt;sup>17</sup>"Canada in a Changing World—Part II," p. 3A:176. <sup>18</sup>Report to the Secretary of State for External Affairs by Paul Gérin-Lajoie, President of CIDA, on the Mission to Indonesia (January 25-February 1, 1975), pp. 11-12.

### **BOOK REVIEWS**

#### ON CANADA

CANADA HANDBOOK: THE 48TH ANNUAL HANDBOOK OF PRESENT CONDITIONS AND RECENT PROGRESS. Edited by Margaret Smith. (Toronto: Statistics Canada, 1980. Distributed in the United States by the University of Washington Press, Seattle. 386 pages, illustrations, maps, tables and index, \$8.95 paper only.)

This handsomely illustrated (241 color photographs) handbook issued by Statistics Canada is a readable and informative guide to present day Canada and to its past. Every aspect of Canadian life and recent social and economic development are covered in text, photograph, and chart or table. Canada's geography and climate and how they have affected its history are included along with descriptions of the Indian and Inuit people who preceded the present Canadian population and still number almost 300,000 (1976).

The handbook should prove useful for the traveler, student or scholar needing accurate and factual material on the world's 2d largest country.

O.E.S.

NATURAL RESOURCES IN U.S.-CANADIAN RELATIONS, VOL. 1. Edited by Carl E. Beigie and Alfred O. Hero, Jr. (Boulder, Colorado: Westview Press, 1980. 371 pages and index, \$25.00, cloth; \$10.00, paper.)

According to the editors of this technical study of the United States-Canada resource connection, "the magnitude of trade flows and economic linkages between these two countries is larger than between any other two nations in the world." The editors examine the natural resources of both countries in detail; excellent tables supplement the text. The history of the bilateral resource connection and commentary on the current economic relationship between the two countries is provided. The development of policies both internal and external in regard to the resources available to both countries is treated in depth. The editors plan two more volumes in this series, more sharply focused on selected commodities and corporations investing in the development of resources. O.E.S.

THE MAPLE LEAF AND THE WHITE EAGLE. By Aloysius Balawyder. (New York: Columbia University Press, 1980. 300 pages, appendices, bibliography, notes and index, \$20.00.)

Aloysius Balawyder writes of the Polish emigrations to Canada and the reasons for that emigration. Many Poles were settled along the rail lines in western Canada through cooperation between Canada and Poland and the Canadian railways during the years 1919 to 1930. After World War II, many Polish refugees and sponsored relatives were admitted to Canada.

Balawyder examines diplomatic and economic relations between Canada and Poland and describes Polish government attempts to win the support of Polish-Canadians over the last 60 years. He concludes that "as medium-sized powers, both Poland and Canada have strengthened détente by fostering a friendly atmosphere in a world filled with uncertainties."

O.E.S.

THE CANADIANS. By George Woodcock. (Cambridge: Harvard University Press, 1980. 301 pages, numerous illustrations and index, \$20.00.)

George Woodcock has described his personal perceptions of Canada and Canadians, and Canadian history, politics and possible future. Throughout the book he develops his theme that Canadian unity depends on the diversity of its regions. The first Europeans to see Canada were the early Vikings, whose settlements in Newfoundland were found comparatively recently in 1961. Explorers, traders and settlers came afterward and found Indian tribes, many of whom lived in settled villages. Fur traders opened up paths westward and northward; "Canada emerged as a political entity with boundaries largely determined by the fur trade." By their willingness to meet its challenges, traders "brought Canada into history by proving that Europeans could learn to survive and prosper."

Woodcock writes in interesting detail of the history of the various regions of Canada and the reasons for their differences; of particular interest is the history of Quebec and its people, who numbered some 65,000 in 1760. At present, there are some 6 million French-speaking people, largely centered around the Province of Quebec. Of the Separatist movement, the author writes: "There is a new kind of Québécois pride that is no longer based on the remembrance of the past alone, but just as much on expectations for the future."

The Province of Ontario owes its settlement to (Continued on page 153)

#### THE CANADIAN ECONOMY IN THE 1980'S

(Continued from page 133)

calculations it uses the lower level of a range of private forecasts of between \$11 billion and \$16 billion. If the deficit can be kept to the \$11 billion figure, this would be about the same proportion to GNE that prevailed in Canada in 1978. But in fact, the economic impact may be more favorable, because a good part of the capital inflow may be for long-term investment in Canada's resources and its energy boom, rather than investment to take advantage of differentials in short-term interest rates between Canada and the United States.

The Economic Council is more pessimistic than the Department of Finance, visualizing Canada's balance of payments deficit at between \$12 billion and \$21 billion by 1985, because Canada is changing from a net energy-exporting to a net energy-importing nation. No doubt, a large and growing balance of payments deficit exposes Canada to a greater extent to the vagaries of the world economy and possible restraints on international trade and the movement of capital. But there is another side to this uncertainty. Canada remains one of the world's leading storehouses of natural and energy resources, where foreign capital will be safeguarded and will yield promising returns. And with access to raw and processed materials in a world of growing scarcity for such products, Canada may find the increases in its balance of payments deficits manageable, if such increases can be kept in line with Canada's growing capacity to produce and export goods and services.

The Canadian dollar, which stood at more than \$1.02 vis-à-vis the American dollar in 1976, dropped to 83.9 cents on October 2, 1978, the lowest level in 45 years. It recovered to between 85 and 87 cents in 1980, as the lower valued Canadian currency helped domestic exporters to compete in international markets. American economists have predicted a further strengthening of the Canadian dollar to 88 cents and beyond.<sup>17</sup>

Although Canadians are among the thriftiest people in the Western world, their savings are insufficient to finance the development of their resources and industries at a pace that will offer continuing employment opportunities to the people who join the labor force every year. Hence, Canada is likely to continue to rely on foreign capital inflow in part to finance job-creating development and in part as an offset to the current account payment deficit. Such an open-door policy should not keep the federal government from laying down increasingly more effective

guidelines to encourage and to facilitate significant Canadian participation in economic development, particularly in the resources and energy sectors, ultimately aiming at a 50-percent partnership.

#### CONCLUSION

Canada could find jobs for another 350,000 workers, who could produce an additional GNP of \$15 billion or about \$650 for every man, woman and child in Canada without adding significantly to inflationary pressures. At the end of the 1980's, Canadians may well be considerably more prosperous than they are at the beginning. Canada's potential is greater than most people are willing to accede. The only way to convince the doubters is to utilize this potential.

#### SEPARATISM AND QUEBEC

(Continued from page 137)

especially bitter, because a clear majority of francophones, approximately 55 percent, joined more than 90 percent of Quebec's anglophones to defeat the proposal. Lévesque conceded that Quebecers had given federalism another chance, but he also told his supporters, "If I've understood you correctly you are now saying, 'Until next time.' " In an election night statement, Prime Minister Trudeau instinctively grasped the emotions that had haunted francophone families in Quebec for months: "To my fellow Quebecers who have been wounded by defeat, I wish to say simply that we have all lost a little in this referendum." Trudeau's statement was true, but René Lévesque lost a little more than anyone else. The PQ leader now faces a strong challenge from Claude Ryan's Liberals in an election that must be held in the fall of 1980 or the spring of 1981.

· The defeat of the separatist proposal has not solved Canada's fundamental problem, because the great majority of francophones in Quebec are unhappy with the present federal system. Many of them have accepted the argument that confederation was a treaty between sovereign English and French communities that was accepted only to protect both groups from assimilation by the United States. They speak of a French Canadian nation and Quebec's responsibility to preserve that nation vis-à-vis Canada. This placement of Quebec on an equal level with Canada is not acceptable to the other provinces. All of them are willing to modify the constitution, particularly in the direction of greater provincial powers, but there is little unanimity. Every province is on record favoring the retention of the monarchy and some form of shared jurisdiction over offshore oil and gas. None of the provinces appear willing to grant Quebec any special status that might give her an economic or political advantage beyond what her population warrants.

<sup>&</sup>lt;sup>17</sup>Wendy Dobson, *The Exchange Rate as a Policy Instrument* (Montreal: C.D. Howe Research Institute, May, 1980), p. 26.

In some respects the present situation is a stalemate. Premier Lévesque has not obtained a majority for his separatist proposals, but Prime Minister Trudeau has not solved the dilemma of constitutional reform. Trudeau's problem is vastly complicated by the increasing unrest of the western provinces, most notably oil-and gas-rich Alberta, which have always equated federalism with sacrifice to eastern interests.

Some Canadians have suggested that the best course would be to let Quebec go its own way. Such an event would put all the provinces in a precarious position. Quebec might survive, but a realistic analysis of its economy and its interdependence with other North American economies suggests that independence offers little if any gain and risks considerable loss.11 If Quebec's political and cultural identity can be preserved only by complete control of its economic development, as the Parti Québécois government has argued, then there would appear to be little hope for its long-term survival. Nova Scotia, Newfoundland, Prince Edward Island and New Brunswick would be isolated from the remainder of Canada if Quebec became independent. These provinces have suffered historically from weak economies, and their chances for prosperous survival outside the Dominion would not be good. Ontario, the western provinces, and the northern territory could survive together, but it would be a different Canada with an uncertain political and economic orientation.

The ultimate beneficiary of a divided Canada could be the United States. Unquestionably, an important reason for confederation was fear of the United States, and even today there lurks in the Canadian psyche a barely repressed fear that Canada is somehow being absorbed and blended into the American melting pot. If Quebec became independent and Canada were fragmented; it would be unrealistic to expect the United States to accept a manifest destiny of only 50 states.

Prime Minister Trudeau and many other Canadians recognize the dangers. After the referendum, Trudeau again opened wide the doors to constitutional modification when he told the House of Commons that for him there were only two prerequisites for change: the continuance of a real federation and a charter of fundamental rights including language rights entrenched in a new constitution. "We consider everything else to be negotiable." However a subsequent meeting between Trudeau and the provincial premiers to restore momentum for constitutional reform led only to the well-known agreement that reform was necessary.

Both the Prime Minister and Canadian federalism are caught in a multifaceted dilemma. Trudeau cannot promote the accommodation of Quebec's perceived needs too strongly without losing the support of the other provinces. Nor can he afford to radicalize Quebec's moderates by moving too slowly. Finally, he cannot bargain away too much power to all the provinces without destroying the federation itself. Whether and how quickly the dilemma can be resolved will determine Canada's future as a nation.

#### CANADIAN FOOD POLICY AND THE THIRD WORLD

(Continued from page 142)

Sweden and the United States, have recognized the value of IDRC and have tried to emulate it. It should be noted that IDRC accounts for only a small proportion of Canadian official development assistance (less than three percent in 1978-1979). Nevertheless, it often functions as a "catalytic agent," providing small grants that contribute to defining and developing major research programs in LDC's. 19 In addition to its IDRC initiative, Canada is usually the second largest donor to the Consultative Group on International Agricultural Research (CGIAR). Created in 1971, CGIAR supports 11 research centers and programs designed to improve agricultural production in LDC's.

Non-government organizations (NGO's) have also been actively involved in technical assistance to improve LDC agricultural production, but Canadian NGO's have provided only an extremely small percentage of Canadian food aid to LDC's (1.1 percent of CIDA foodstuffs in 1979-1980). Many NGO's have emphasized the shortcomings and even the harmful effects of long-term food aid; they also fear that their private orientation may be jeopardized if they become major conduits for CIDA foodstuffs. Indeed, CARE and Catholic Relief Services, the largest NGO recipients of American food aid, are sometimes viewed as having "institutional ideologies" that "have always had much in common with those of the governmental aid program." Canadian NGO's have focused their efforts on indigenous agricultural production and rural development rather than on food aid. In the last five years, about 15 to 20 percent of their funds have been used for agricultural projects in LDC's. If rural development projects are included, about half of NGO funds have been used for this purpose.<sup>20</sup>

#### CONCLUSION

The long-term interests of the LDC's are best

<sup>1)</sup> Judith Maxwell and Caroline Pestieau, Accent Quebec: Economic Realities of Contemporary Confederation (Montreal: C. D. Howe Research Institute, 1980), pp. 39-123.

<sup>&</sup>lt;sup>12</sup>Canada, House of Commons Debates, May 21, 1980, p. 264.

<sup>&</sup>lt;sup>19</sup>"Canada in a Changing World—Part II," p. 3A:168. <sup>20</sup>Science Council of Canada, *From the Bottom Up* (Ottawa: Minister of Supply and Services, June, 1979), p. 65.

served by technical assistance and research to increase agricultural production, but food shortages in areas like South Asia and sub-Saharan Africa indicate that food aid continues to be necessary. Canadian experience focuses on capital-intensive, northern agriculture; but many LDC's require projects to promote labor-intensive food production in tropical areas. The Canadian aid program should strike a balance between promoting long-term agricultural development and supplying some food aid in the interim, so that the third world becomes less vulnerable to global food shortages.

In relative terms, Canada has consistently provided a large volume of food aid on highly concessional terms. Priority in aid decision-making, however, is often given to Canadian economic interests in surplus utilization, value-added benefits from processing, and trade expansion. The subordinate position of the Canadian International Development Agency in policy formulation both reflects and helps perpetuate the priority given to domestic concerns.

Increased attention to the food-related needs of LDC's is in the long-term interest of Canada and other developed countries. The emergence of a strong Organization of Petroleum Exporting Countries (OPEC) in 1973-1974 illustrates the increased interdependence between the developing and the industrialized states. It is clearly in Canada's interest to promote increased trade ties with the third world, and an enlightened food and agricultural policy can help in promoting such linkages.

# CANADA AND THE UNITED STATES (Continued from page 120)

Accompanying these irritants was the reemergence of conflict over issues that had long been major components of the bilateral relationship. In 1976, the United States invoked tax restrictions to discourage United States conventions from being held in Canada, in retaliation for a Canadian insistence on discouraging Canadians from advertising on television stations in bordering United States states. New concerns were raised about potential Canadian restrictions on United States investment, when both Prime Minister Trudeau and his Industry, Trade and Commerce Minister reaffirmed pledges made during the 1980 election campaign to expand the powers of the Foreign Investment Review Agency. Moreover, the terms of the 1965 automotive agreement between the two countries, which had removed tariffs on assembled vehicles and parts transferred across the border by manufacturers, became a subject of controversy when a massive Canadian deficit prompted the government to undertake consultations with the United States, itself subject to intense pressure from a depressed automotive industry.

Of far greater concern to Canada was the Carter administration's apparent willingness, under acute congressional pressure, to refuse to ratify (and indeed to seek to renegotiate) firm agreements already initialed with Canada. The most dramatic case, and the most difficult bilateral issue, was the dispute over fisheries rights and maritime boundaries—off the east coast in Georges Bank and the Gulf of Maine and, to a lesser extent, in the Strait of Juan de Fuca off the west coast, the Dixon entrance off the Alaskan panhandle, and the Beaufort Sea off the Arctic coast. This issue arose in early 1977, when both countries extended their territorial seas to 200 miles and agreed to negotiate new boundaries at the intersection of these extensions. A failure to meet two self-imposed negotiating deadlines by June, 1978, led Canada to close waters off Nova Scotia to United States fishermen; the United States retaliated in kind in Georges Bank and parts of the Pacific Northwest. By January, 1979, the two countries had reached an interim agreement in which the boundary question would be submitted to informal arbitration, with a new joint commission establishing an annual fishing catch for each species and allocating it between the two countries according to a previously negotiated formula.

Almost immediately, however, this agreement prompted resistance from the half-billion dollar a year New England fishing industry, which organized an American defense committee and secured the support of such influential Senators as Edmund Muskie and Edward Kennedy. By the fall of 1979, the dispute escalated when a Canadian decision to seize tuna boats in waters off British Columbia prompted a United States protest and decision to embargo tuna fish imports from Canada. In a visit to Ottawa in April, 1980, Secretary of State Cyrus Vance was unable to provide an assurance of rapid United States action; and the Senate foreign relations committee, which had been holding hearings on the issue, appeared willing to let the issue languish. In mounting frustration over United States demands for a second, Senate-inspired set of concessions, Canada began a major effort to stimulate the United States into action. In the spring of 1980, it began to lobby and to bring its views to the attention of the United States media, and in June it escalated the dispute by unilaterally authorizing increases in the Canadian quota for groundfish catches on Georges Bank.

A further example of the apparent impotence of the American administration was its inability to encourage private American investors to underwrite the Alaska Highway natural gas pipeline, a project that would deliver much-needed supplies of natural gas to the United States and would inject an estimated \$5 billion into a weak Canadian economy. Soon after the formal intergovernmental agreement in September, 1977, this project encountered delays in securing the

necessary enabling legislation and regulatory approval in the United States. At a meeting between President Carter and Prime Minister Trudeau in March, 1979, the United States administration committed itself to establishing with Canada a joint monitoring group to oversee progress on the pipeline and other energy matters, and to expedite the process of securing legislative and regulatory clearances. However, congressional resistance, reinforced by a Canadian procurement plan favoring Canadian suppliers, continued to produce delays. Despite a December, 1979, Canadian decision to increase exports of natural gas to the United States by 40 percent and a series of ministerial and official level meetings in the ensuing months, no agreement was reached. Ultimately, in July, 1980, Canada decided to end the impasse by granting approval for a "pre-build" scheme in which southern portions of the pipeline, carrying Canadian gas to United States markets, would be constructed before the overall project was financially secured.

Of far greater significance to the United States was the Canadian reaction to the two major crises that arose in multilateral relations—the seizure of the American embassy by Iranian revolutionaries in November, 1979, and the Soviet invasion of Afghanistan in December of that year. In the first case, Canadian policy was strongly and consistently supportive of the United States. Immediately after the seizure of the hostages, the Canadian government expressed its deep disapproval of the Iranian action, offered to supply the United States with any oil required to compensate for the shortfall from Iran, and instructed its ambassador in Teheran to lead local efforts to secure the release of the hostages. In late November, Canada took the initiative in calling a meeting of Commonwealth representatives, who condemned the Iranian action, pleaded for the hostages' release and pledged support for United Nations' efforts along these lines. At the United Nations, Canada urged the Security Council to censure the Iranian action, but recognized the existence of legitimate Iranian grievances against the Shah. Full support was also given to a similar NATO pledge in December. Beginning in January, Canada steadily reduced the strength of its embassy in Teheran and, when the six Americans were safely removed, closed its operation entirely. From that point Canada moved rapidly to ban the sale of strategic and military goods and suspend Export Development Corporation-assisted financial dealings, and supported a United States decision in April to terminate diplomatic relations entirely. On April 23, urged by the United States and following a temporary European suspension of diplomatic relations with Iran, Canada reduced the level of Iranian representation in Ottowa, suspended the issuance of visas for Iranian students, and asked Canadian companies not to enter into new contracts with Iran. 11 At this point, however, there was clear evidence of a departure from United States policy; the newly elected government of Prime Minister Trudeau explicitly warned the United States against taking military action in Iran. However, in concert with its European allies, Canada moved in May to extend the economic sanctions introduced the previous month. 12

In the case of the Soviet invasion of Afghanistan, these reservations about American policy and concern with acting in concert with a broader group of countries were more pronounced. In early January, Prime Minister Joe Clark's government, noting the need to act in company with NATO, OECD and Commonwealth countries, to ensure that no one was singularly exposed to Soviet retaliation, announced a series of measures broadly similar to United States initiatives taken a few days earlier. These measures included controls on the export of strategic and high technology goods to the Soviet Union, a refusal to recognize the new Afghanistan regime, a restriction of grain sales to the Soviet Union beyond "normal and traditional" amounts, a cancellation of Export Development Corporation credits, ministerial and official visits and scientific exchanges, and a contribution to the relief of Afghani refugees in Pakistan. Significantly, however, and in contrast to American moves, no restrictions were imposed on the rights of vessels from the Soviet Union to fish within Canada's 200-mile limit.

At the same time, Prime Minister Clark indicated his willingness to transfer the summer 1980 Olympic games from Moscow to an alternate site, while noting that a Canadian boycott of the games was not under consideration. With the United States threatening a boycott by mid-February if the Soviet Union failed to withdraw, the Canadian government began consulting its European, NATO, Commonwealth and some francophone allies about the site transfer alternative. In the face of United States firmness, Canada, in company with Britain and Australia, moved rapidly to support the United States, a shift supported by the end of January by Pierre Trudeau, a previously reluctant leader of the opposition.

However, with the return of the Liberal government to office in March, Canadian reservations again became dominant. Canada sent only an observer to a United States-sponsored conference in Geneva on the question of arranging an alternative festival for boycotting athletes, conducted bilateral discussions with a recalcitrant French government, and generally

<sup>&#</sup>x27;'Canada, Department of External Affairs, "The Hostage Situation in Iran: Canadian Action," Communiqué, April 23, 1980.

<sup>&</sup>lt;sup>12</sup>Canada, Department of External Affairs, "The Hostage Situation in Iran—Further Canadian Action," Communiqué, May 22, 1980.

stressed that Canadian support was contingent on the agreement of the seven leading industrial countries, a "sizable number" of Canada's NATO allies, and many nonaligned states from the third world. Only on April 22, after an extensive round of international consultations, did Canada join over 50 other states in supporting the United States-led boycott.

#### A CHANGING RELATIONSHIP

Such visible issues clearly demonstrate the divergences between Canada and the United States on multilateral issues and Canada's increasing concern with the positions of its overseas allies. At the same time, the relationship over bilateral questions has experienced a similar change. Over the past few years, less emphasis has been given to the techniques and tactics of a joint or cooperative nature, and more to those tactics that stress the distinctive interests of the two countries. The traditional reliance on existing or expanded joint institutions has faded, and the Canadian government has no interest in forming new entities. In addition, the joint commission established as part of the fisheries and maritime boundary agreement has remained moribund, along with the treaty itself. And a new joint consultative mechanism that emerged in early 1979 to deal with official level discussions on such energy issues as oil imports, strategic petroleum reserves, and gas prices was disbanded in early 1980. While common study groups may explore specific topics on such technical issues as the auto trade, it is highly unlikely that they will be followed by major new bodies along the lines of the existing ministerial committees or joint organizations.

At the summit level, some signs of a "special relationship" still exist; phone calls and letters are regularly exchanged between the heads of government on major issues like the grain embargo, the Olympic boycott, the response to Afghanistan, and the pipeline and fisheries disputes. However, despite this frequency and the existence of a good rapport between the two leaders, there have been no discernible gains for either side from the summit channel. Similarly, despite the frequency of face-to-face meetings between the two leaders (averaging well over one a year), the lack of time for detailed discussion allowed for few results beyond sensitizing each other to priority concerns. Regular meetings held every two weeks between Vice President Walter Mondale and Canadian Ambassador Peter Towe have also been useful primarily as a means of avoiding problems and registering Canadian concern on such issues as gas pricing and the pre-build guarantees.

Also of reduced relevance have been such traditional techniques as ministerial visits and parliamentary delegations. Following the traditional pattern, new ministers of both the Clark and Trudeau governments quickly sought to establish contact with

their American counterparts and conducted meetings that were frank, forthcoming and friendly. Yet because of their growing complexity, many issues are incapable of resolution until the interests of ministers on both sides of the border are assessed. Similarly, despite an increasing reliance on parliamentary delegations, it has been difficult to attract the participation of informed United States legislators and to maintain discussion at an informed level.

As a result, emphasis has shifted to government-toembassy discussions, particularly through the Canadian embassy in Washington, D.C. However, the United States State Department has become less responsive to Canadian concerns, leaving Canada to rely primarily on public relations activities directed at United States legislators and the American public. By the summer of 1980, a Cabinet-mandated public relations effort had been initiated on the fisheries issue; a similar effort, inspired at the official level, had been mounted on the acid rain question; and attempts were being made to inaugurate a more comprehensive public relations approach.

#### A CHANGE IN TACTICS

Flowing from this shift in techniques has been a change in tactics, particularly a trend toward a greater linkage among issues. Although Canada continues to be reluctant to trade off issues from different sectors in direct discussions with the United States, such trade-offs have become more common in internal Canadian deliberations. Thus a Canadian concern with the United States failure to ratify the fisheries and maritime boundary dispute inspired Canadian reluctance (since overcome) to proceed with the prebuild section of the Alaskan Highway pipeline.

Somewhat more generally, the assistance of the Canadian embassy in the escape of the six American hostages from Iran prompted Canadian suggestions that the United States demonstrate its generosity by a more accommodating stance on such key issues as the fisheries and maritime boundary dispute. And United States requests for support on the boycotts against Iran and Afghanistan led Canadian ministers to determine how a Canadian response might affect the overall climate of the relationship. In general, a bargaining climate has emerged in which an acute United States need for Canadian support on multilateral issues is matched by a less strong but nonetheless significant Canadian need for United States accommodation on bilateral issues.

The current decline of an ongoing, predictable "special relationship" between Canada and the United States thus leaves the two countries, and Canada in particular, with two major alternatives for conducting the bilateral relationship in the future. Canada could consciously seek a greater degree of economic integration with the United States with or without the

accompanying creation of new joint organizations. Perhaps not surprisingly, a weak economic performance and a threatening global environment have led to a strong revival of pleas for increased economic integration between Canada and the United States. Since 1978, studies on this subject have been recommended or conducted by the Canadian Senate, the United States Chamber of Commerce, the Subcommittee on Foreign Trade of the United States Senate and the White House itself. Within the Progressive Conservative party, suggestions for a sympathetic consideration of a movement toward free trade have come from former leader Robert Standfield, the national party president, and Prime Minister Clark's Minister of Finance, John Crosbie.

In the United States, a conference of the National Governors Association passed a resolution in February, 1979, proposing discussions on a tripartite common market for the United States, Canada and Mexico; and in 1980 most contenders for the Democratic and Republican presidential nominations produced proposals for such an association in the energy sector. Nonetheless, in April, 1980, Secretary of State Vance denied official United States interest in any tripartite proposal and the Liberal government of Prime Minister Trudeau has also remained firmly opposed.

The remaining option, seeking a less intimate relationship with the United States and stronger associations with other countries, remains popular in the Canadian government, although there has been little effort to define or articulate its content. After an initial belief in Canada's status as a middle power, Secretary of State for External Affairs Mark MacGuigan has suggested that Canada's capability, and hence its ability to play a more autonomous role, may be of a somewhat higher order. And MacGuigan's publicly stated reservations about American foreign policy and the attendant lack of adequate American leadership and consultation suggested a deep Canadian concern about the traditionally close cooperative relationship. While it remains to be seen how each country will define its own approach to a revised relationship, it seems likely that the familiar elements of the traditional "special relationship" between Canada and the United States will provide an increasingly less reliable guide.

#### **ENERGY IN CANADA**

(Continued from page 128)

attracted will be firms, e.g., methanol producers, whose products take maximum advantage of the subsidy by using very large amounts of energy with the minimum addition of local labor and capital required to get the product across the border and tax-free into world markets.

To help expand the non-Alberta sources of energy

supply, the federal government is also likely to encourage early access to the high cost oil and gas resources in the Arctic and off the east coast.

In addition, the federal government will facilitate the Alaska Highway natural gas pipeline, because of previous commitments, and in hopes of obtaining offsetting concessions from Alberta. The project itself has no impact on Canadian energy supplies. If the plan to pre-build the southern legs of the system (and to use them for several years for the export of Alberta gas) goes ahead, there is a risk that the completion of the northern parts of the system will be deferred. In either event, the effect of the pre-build scheme is to reduce the net revenue to Alberta and British Columbia producers below what they would have been had the same quantity of exports been permitted without the pre-build. The non-frontier producers are thus paying a material part of the cost of the Alaska Highway pipeline for no apparent gain. The producers who are not part of the pre-build scheme see themselves possibly shut out of the United States export market in the short term by the pre-build exports and shut out in the longer term by the arrival of the Alaskan gas. To put these fears in context, it should be remembered that total Canadian exports of natural gas are less than 5 percent of United States natural gas consumption.

The federal government would like to accelerate the development of the Alberta oil sands and the Alberta and Saskatchewan heavy oil deposits. However, these projects could not go ahead without provincial approval and support. There is some potential for small-scale development of these sources, but at the present time each of the proposals made so far costs several billion dollars and becomes an important counter in the revenue-sharing disputes among the federal government, the provincial governments and the producing firms.

#### **ALTERNATIVE ENERGY SOURCES**

An unfortunate side effect of the Canadian pricing stalemate is that there is less incentive in Canada than in most countries to develop alternate energy sources. The alternate energy "source" with the largest scope and lowest price is the design of equipment and processes that can achieve given objectives with lower direct and indirect inputs of energy. When studies are made of active solar heating of buildings, for example, it is commonly found that when insulation, site orientation and building design are brought up to the efficiency standards required to support active solar heating, the heating requirements are so close to being fully met by lighting and body heat that the source of the small net energy requirements is of secondary importance. There is no doubt that much remains to be done in the fundamental redesign of all energyusing processes to ensure that they make the best use

of available energy. These developments are least likely to take place in an economy with low prices for energy and high levels of income, so Canada will, probably remain the most energy intensive of all the industrial countries.

On the energy-producing side, there are many "natural" sources, such as the burning of wood wastes in pulp and paper mills to co-generate electricity and process steam, whose development is held back by the low industrial prices for fossil fuels and electricity.<sup>7</sup>

Finally, Canada lags behind almost all countries in the amount of research done on energy. For example, the International Energy Agency reports that 1979 government expenditure in Canada on energy research, development and demonstration was less than \$1 per tonne of 1978 oil-equivalent energy consumption. This is much less than the corresponding numbers for other countries, e.g., \$4 in West Germany, \$2.50 in Japan, and over \$2 in the United States. To make matters even worse, a very large fraction of Canadian federal government energy research expenditure (70 percent in 1972-1973) has been on nuclear energy rather than on some of the more promising alternative ways of producing and conserving energy.

#### LONGER-TERM PROSPECTS

For the longer term, it is optimistic—but reasonably so-to forecast that Canada will come to terms with the problem of dealing with its substantial and diverse energy sources. Canada's coal resources per capita are almost the equal of those of the United States. The Canadian resources of heavy oil and oil sands are also capable of lasting for a century or more if environmentally acceptable and economical methods can be found to extract them on a sufficient scale to replace diminishing stocks of lower cost conventional crude oil. For electricity, Canada has per capita supplies of hydroelectricity that are ten times as large as those in the United States, but it is faced and will continue to be faced with hard choices about the appropriate scale and nature of thermal generation. Canada and the United States share the same acid rain and many of the same fears about the hazards of mining, using and disposing of fuels for nuclear power.

For the longer term, Canada, like the United States,

has an unusually well-balanced selection of energy resources. For the 1980's, however, the transition to a more sustainable and less energy-intensive future will be slowed or even stalled by unwillingness to share the gain and bear the pains of adjustment.

# AN ELECTORAL TURNAROUND IN CANADA

(Continued from page 116)

while he was in office "cooperative federalism." Trudeau carried on, insisting that the powers granted to one province should be granted to all provinces.

With the provinces more active, their populations naturally looked to them rather than to Ottawa and came to feel that their provincial governments were more important to them than the federal government. By 1974, according to surveys at that time, 49 percent of Canadians said they felt closer to their provincial government, compared to 34 percent who claimed they felt closer to the federal government. Only the people of Ontario said they felt closer to the federal than to their provincial government.<sup>5</sup>

Along with the increase in responsibilities for the provinces came an increase in bureaucracies and interests tied to provincial concerns. When Trudeau finally began calling a halt to the decline of federal power a few months before the 1979 election, he and his administration were so unpopular that his warnings seemed to fall on deaf ears. Today, surveys show that the orientation toward the provinces has increased: 56 percent across Canada now say they feel closer to their own province than to the country as a whole, compared to 41 percent who say they feel closer to Canada. Only in Ontario do people claim a greater closeness to Canada—but narrowly; the percentages there are 45 percent closer to Ontario compared to 52 percent closer to Canada.

As a result of the loss of power to the provinces over the last two decades. Canada is one of the loosest federations in existence. There are interminable controversies between the federal government and the provinces over such important issues as transfer payments from well-off to less fortunate provinces, financing the health care system and the power to tax commodities imported from abroad. In addition, each province has its own rules in so many areas that the interprovincial movement of people, goods and services is seriously impeded. For example, some provinces have a compelling preference for local professionals, craftsmen and suppliers. Recently, British Columbia and Quebec prevented out-of-province Canadian companies from taking over companies located within their borders.

<sup>&</sup>lt;sup>7</sup>The possibilities for the co-generation of process steam and electricity in pulp and paper mills (which are by far the largest users of process steam in Canada) are analyzed in Helliwell and A. J. Cox, "Electricity Pricing and Electricity Supply: The Influence of Utility Pricing on Electricity Production by Pulp and Paper Mills," *Resources and Energy*, vol. 2, 1979, pp. 51-74.

<sup>\*</sup>The Economist, July 12, 1980, p. 71. This calculation excludes energy research expenditures by provincial governments, which are becoming especially important in Alberta.

<sup>&</sup>lt;sup>9</sup>An Energy Policy for Canada Phase I, vol. 1 (Ottawa: Department of Energy, Mines and Resources, 1973), p. 112.

<sup>&</sup>lt;sup>5</sup>Harold D. Clarke et al., *Political Choice in Canada* (Toronto: McGraw-Hill Ryerson, Ltd., 1979), p. 72

<sup>&</sup>lt;sup>6</sup>Regenstreif Poll, Toronto Star, July 14, 1980, p. 1.

The referendum campaign in Quebec that followed soon after his return to power gave Trudeau the opportunity to focus the country's attention on the resolution of these constitutional problems—which everyone seemed reluctant to do up to that time. The Prime Minister delivered a series of devastatingly effective speeches in Quebec during the campaign and each time he spoke he pledged that a "no" vote in the referendum would not mean the continuation of the status quo for the province but a vote for what came to be known in Quebec as "renewed federalism." The premiers of the other provinces as well as Quebec Liberal leader Claude Ryan joined what appeared to be a commitment to substantial constitutional reform of the federal system should René Lévesque's referendum be rejected. The solid victory for the "no" forces set the stage for the First Ministers Conference, which brought Trudeau and the premiers of the ten provinces together in Ottawa on June 9.

Trudeau dominated that meeting as he has most meetings of this kind, presenting a list of 12 priority items which, he claimed, must be dealt with to reform the constitution. While the first item on the list—a statement of constitutional principles covering topics like political and civil rights—evoked intense opposition from the premiers and was rejected out of hand, all the items subsequently formed the agenda for the discussions that took place between federal officials during the summer, in preparation for another meeting in September. They covered the gamut of issues involving the two levels of government, including:

A charter of fundamental rights. Trudeau very much wants a charter of rights for all Canadians included either in a preamble or in the constitution itself, but some provinces do not believe such a charter is either necessary or useful. Language rights are a separate and controversial issue. Trudeau believes they belong in the constitution and he was strongly opposed in this both by Lévesque and several other premiers concerned about political repercussions in their provinces.

The need to share. There is little disagreement on the need for continuing the past practice of bringing the revenues of the economically less fortunate provinces up to a national average so that their residents can receive a basic level of services. But this issue includes the question of the price provinces can charge for their resources when they are sold outside their borders, and this is a matter of intense bickering.

Resources. While under the BNA Act the provinces have jurisdiction over natural resources within the borders, the federal government can control interprovincial as well as foreign trade. This area of conflict is highlighted by the controversy between Alberta and the federal government over oil prices. After many meetings during which the two governibid.

ments could not reach agreement on oil prices, Alberta Premier Peter Lougheed unilaterally announced an increase of \$2 per barrel on July 31, 1980. The federal government did not react, because the increase was exactly what it was willing to accept had an agreement been reached. What will happen should Lougheed continue to act alone on prices is uncertain.

It is noteworthy that despite the provincial orientation of Canadians, recent polls show a solid majority opposed to exclusive provincial control of resources: only 15 percent believe the provinces should have exclusive control over the natural resources within their borders while 67 percent favor shared control between federal and provincial governments. Feelings in western Canada are not significantly different from national opinion on this.<sup>7</sup>

Offshore resources are now under Ottawa's jurisdiction, although during his term Clark had agreed to allow the Atlantic provinces to control the resources off their shores. Recent tests, which have confirmed massive oil deposits off Newfoundland and significant amounts of natural gas off Nova Scotia's shores, have intensified feelings on this issue in the Atlantic region. The Trudeau government is adamant in its opposition to placing offshore resources under provincial control and is committed to maintaining a significant role for the federal government in establishing rules concerning the prices and supply of all resources. Trudeau is strongly supported in this by the Ontario government led by Conservative William Davis.

Patriation of the Constitution. At present the only way the BNA Act can be amended is by an act of the British Parliament. Even though this is only a formal process, it is no longer acceptable. Still, an agreement must be reached on how to bring the constitution home.

Controlling the economy. The federal government now has the power to levy any kind of tax, while the provinces, limited to direct taxes, want the same powers as the federal government. The federal government is reluctant to agree because it fears it could lose its ability to manage the national economy when it is called on to do so.

Communications. While the federal government has jurisdiction in this area, the provinces want control here also. The Trudeau government has offered to share control of cable television with the provinces, but this is the only concession it appears willing to make.

Family law. While the regulation of marriage and divorce is now shared by the two levels of government, the federal government is willing to turn this power over entirely to the provinces, provided they guarantee that they will recognize each other's laws in this area.

Institutional Reform. There are several proposals to modify the Senate to give the provinces some control over appointments or to change the Senate's composition. There are also basic changes some provinces would like to make in the Supreme Court, either changing some area of its jurisdiction or altering its membership. Agreement about both institutions appears a long way off and involves other issues on the priority list.

Constitutional reform is now the major preoccupation of the country's politicians. At the September, 1980, constitutional conference, the provincial premiers and Trudeau were unable to reach agreement on any of the issues. Trudeau is expected to write a new constitution without provincial agreement. While it is difficult to forecast the eventual arrangements and how they will be reached, Trudeau seems to have considerable public support in his insistence on a constitution made in Canada and on the need for the provinces to share their economic good fortune with those less fortunate all under an umbrella of a federal government with substantial authority.

Even if he were to succeed in achieving only a limited form of constitutional change—given all the obstacles and the history of Canada in recent years—it would still be a remarkable accomplishment.

#### EXPLORING THE THIRD OPTION: CANADIAN FOREIGN POLICY AND DEFENSE

(Continued from page 124)

ities. The quality of Canadian aid and the terms on which it was granted compared favorably with the aid of other donors, with a high ratio of grants to loans, and with many loans at low interest rates. Thus, in the postwar years Canada attached growing significance to relations with countries for which it showed little earlier concern.

The Trudeau administration made some adjustments in Canada's international development program. The most imaginative initiative in this direction was the creation of the International Development Research Centre, designed to improve the quality of Canadian aid. Its governing council included not only Canadians but distinguished foreign specialists on development matters, and the charge to the Centre permitted outside financing. It was designed to adapt scientific and technological innovations to the needs of developing countries and to devise solutions to practical problems using local materials rather than those transplanted from a Western setting. Thereafter, the attempts of the Trudeau administration to meet demands for a new economic order took the direction of development assistance.

The shift of the government's aid objectives and priorities became apparent in 1975, with attempts to ensure greater coordination between Canada's aid policies and other aspects of its relations with developing countries, and an acknowledgment that develop-

ment assistance was only one and not necessarily the most appropriate instrument for reducing economic disparities. In practice, this meant a gradual introduction of non-aid instruments, and although the government reiterated its 1970 assistance objectives—the economic and social development of developing countries in order to eliminate poverty—the emphasis shifted. Third world countries were expected to mobilize their own resources to help themselves. Assistance would concentrate on the poorest countries and focus on the least privileged sectors of their populations. And aid must be compatible with Canada's broader foreign policy objectives. This led to a reduction in the number of countries in which Canada had systematically planned development programs and also in the budget allocations for development assistance.

Canada's most prominent involvement in the third world was as an enthusiastic supporter of peacekeeping operations. At first Canada acted to demonstrate its attachment to the Commonwealth and especially its desire to assist Britain in meeting its postwar financial obligations, but increasingly it reflected its concern for global security and its own commitment to the United Nations. During the early 1960's, for example, Canada took an active part in providing military personnel dispatched by the United Nations to deal with threats to peace and security. Laos was a major source of East-West tension; the scene of sporadic fighting, a cause of a threatening build-up of external forces, and the object of protracted negotiation at Geneva. Canada was involved in Laos as a member of an International Commission for Supervision and Control to supervise the withdrawal of foreign forces.

A Canadian contingent of approximately 300 men stayed in the Congo until the end of the United Nations operations in 1964. It contained no combat forces and was not directly involved in the fighting, but its administrative staff and airlift performed usefully, and Canada was a member of the committee which advised the Secretary General on the Congo operation: When the United Nations undertook to administer West New Guinea before its final transfer from Dutch to Indonesian jurisdiction, Canada contributed two aircraft to the force sent to back up the United Nations administrators. And during this period a Canadian contingent of more than 900 men constituted the second largest in the United Nations force in the Gaza Strip and Sinai, and another eight Canadian officers continued to watch the contested Indo-Pakistani border in Kashmir.

The idea of peacekeeping met with little criticism in Canada, and the presence of Canadian troops in the United Nations was a matter of much pride. By the mid-1970's Canada's role in such operations had diminished, and the government was less naive in its

expectations; yet Canada remained firm in its support of the peacekeeping function.

In its relations with the third world Canada was an affluent, secure nation dealing with countries enduring poverty, instability and—occasionally—open conflict. Those living in the third world perceived Canada as inoffensive and well-intentioned and generally welcomed its involvement. Canada's close associations with the United States and its membership in NATO sometimes helped third world nations to win access to the major capitals of the Western world. Canada was generally sympathetic to third world aspirations and, with no imperial tradition to live down, its relations with the third world were at least as easy as those of other "developed" nations.

#### RETROSPECT AND PROSPECT

It is possible, in retrospect, to see the mid-1970's as a decisive turning point in the emergence of a new international system, holding the possibility of a fundamental redistribution of power and influence. This new international environment was created partially by the new importance of the Middle East, and especially of the Arab states; in addition, it reflected uncertainty over the impact of détente. The work of several multinational forums—the Law of the Sea Conference, for example—remained incomplete, and the implications of the third world demand for a new economic order were only beginning to register in the industrialized world. In this context, various nations, including Canada, continued to search for solutions to pressing economic problems: high inflation, unemployment and escalating energy costs.

A special problem for Canada was the ambivalent nature of its relationship with the United States. Canadians were anxious to maintain, at the same time, full independence and a working military alliance with the United States; they insisted on economic independence but sought the benefits of United States participation in their economic development. The pursuit of contradictory aims led to irritation between the two countries, and it remains for the 1980's to disclose whether the third option will in fact offset Canada's proximity to the United States by stimulating new forms of economic and military association with Europe and the third world.

#### **BOOK REVIEWS**

(Continued from page 143)

the Loyalists who left the United States during the American Revolution and settled a land previously occupied only by Indians, fur traders and trappers (coureurs de bois), all of whom were nomadic. Today, Ontario has become the main manufacturing region of Canada and has developed a multicultural society. Woodcock believes that since Ontario Prov-

ince is Canada's seat of government, Canadians "in other regions are inclined to credit the Ontarian and especially the Torontonian, with a centralizing arrogance that ignores the regional nature of Canada as a country."

The great western prairies and farm lands are a Canadian "third world," most of whose people are of neither English nor French descent and whose population is becoming more and more urban. In the "Prairies, the pasts were all different, but the present was the same."

In Canada's northlands, the Yukon Territory and the Northwest Territories, only about 0.3 percent of its population live in about 40 percent of its total land area. This is the only area of Canada where the majority of the population is made up of descendants of the native population of Canada.

Since confederation in 1867, the tensions created by geographical and historical differences have always made a search for unity difficult. The government of Pierre Elliott Trudeau seeks greater unity and a new constitution, but in September an Ottawa conference on patriation ended in failure after 6 days. Woodcock wrote before this conference, but said prophetically "when a confederal society runs into trouble it is usually because the dynamic equilibrium which should unite its parts has been disturbed by the effort to create an overriding authority instead of a system of coordination between equal partners."

This is an excellent panoramic story of Canada and its people; the writing is vivid, with remarkable detail, and the many illustrations add greatly to the interest and value of the work.

O.E.S.

OUR NEIGHBORS UPSTAIRS: THE CANADI-ANS. By William Redman Duggan. (Chicago: Nelson-Hall Publishers, 1979. 366 pages, bibliography and index, \$16.95 cloth; \$8.95 paper.)

William Duggan attempts to explain Canada and Canadians to the people of the United States. He writes of Canadian history, politics, politicians, culture and foreign relations, particularly Canada's relations with the United States. Unlike George Woodcock, Duggan deals more extensively with modern Canada and its political leaders and the importance of understanding the common problems of Canada and the United States. O.E.S.

Erratum: The editors regret a printer's error that appeared in the article "Population Growth and Urbanization in Africa" by Yohannis Abate, in our March, 1980, issue. On page 104, right-hand column, lines 44 through 49 should read: "Africa is largely a rural continent; only 25 percent of the population is classified as urban, compared to an average of 39 percent for the world and 74 percent for North America. But in terms of rate of urban growth Africa is among the fastest growing areas."

# THE MONTH IN REVIEW

A Current History chronology covering the most important events of September, 1980, to provide a day-by-day summary of world affairs.

#### INTERNATIONAL

#### Afghanistan Crisis

Sept. 11-Minister for Frontier Affairs Faiz Mohammad and 2 other government officials are killed by villagers in Laka Tiga near the Pakistan border.

#### Conference on Security and Cooperation in Europe

Sept. 9—Representatives of the 35 nations signing the socalled Final Act adopted in Helsinki in 1975 open a preliminary conference in Madrid to prepare for a Conference on Security and Cooperation in Europe, to begin November 11.

Sept. 26-U.S. delegation leader Max Kampelman protests a Maltese suggestion to include the PLO in the November conference.

#### International Bank for Reconstruction and Development (IBRD) (World Bank)

Sept. 3—International Monetary Fund (IMF) officials reveal that Saudi Arabia and Kuwait will make no more loans at this time either to the World Bank or to the

Sept. 22-Executive director of the IMF Jacques de Laroière reports that the majority (71) of 140 members have voted for a U.S. resolution to exclude the PLO as an observer at the annual meeting of the bank and the IMF.

Sept. 28—Finance ministers of the so-called Group of 24 from African, Asian and Latin American countries call for increased credit and a larger voice in the IMF and the

Sept. 30-In Washington, D.C., retiring World Bank president Robert S. McNamara addresses the opening session of the 35th World Bank-International Monetary Fund meeting and calls for large increases in lending by the bank in the next 10 years.

Yesterday, representatives of some 135 countries authorized liberalized credit terms, including larger loan amounts to borrowing countries affected by high oil prices.

#### International Monetary Fund

(See Intl, IBRD; Zimbabwe)

#### Iran Crisis

(See also U.S., Foreign Policy)

Sept. 1—In Washington, D.C., it is reported that yesterday Secretary of State Edmund S. Muskie sent a letter to Iranian Prime Minister Mohammad Ali Rajai asking Parliament to consider the release of the hostages. Muskie's letter is the first high-level administrative contact between the two governments since the abortive U.S. rescue attempt in April.

In Teheran, in response to a letter from 187 members of the U.S. House of Representatives sent to the Parliament 2 months ago, Iran's Foreign Affairs Commission asks Parliament to resolve the U.S. hostage

Sept. 12-Ayatollah Ruhollah Khomeini lists the conditions for the release of the U.S. hostages; he says the U.S. must return the property of the Shah, cancel its claims against Iran, release the Iranian assets held in the U.S. and promise not to intervene militarily or politically in

Sept. 28—For the 3d time this week, Parliament postpones debate on the American hostages.

Sept. 30—Parliament considers proposals on the composition and powers of a special commission to study the U.S. hostage situation.

#### Middle East

Sept. 3—In Alexandria, Egypt, U.S. special envoy Sol M. Linowitz announces that Egypt and Israel will resume talks on Palestinian autonomy in a few weeks.

#### North Atlantic Treaty Organization (NATO)

Sept. 18—NATO members begin 8 days of exercises in and around Norway.

#### Organization of Petroleum Exporting Countries (OPEC)

Sept. 15—OPEC ministers meet in Vienna to discuss production and pricing policies.

Sept. 18—OPEC oil ministers reach agreement in Vienna; Saudi Arabia will maintain its present production of 9.5 million barrels a day and will raise the price by \$2.00 per barrel to \$30.00, in return for a pledge by other OPEC members to freeze prices and possibly to lower them eventually; in that eventuality, Saudi Arabia will reduce oil production by 1 million barrels a day.

#### Persian Gulf Crisis

(See also Intl, U.N., U.S., Foreign Policy)

Sept. 17—Iraqi President Saddam Hussein cancels the 1975 agreement with Iran that established the Iraq-Iran border down the middle of the Shatt al-Arab, the waterway running from the convergence of the Tigris and Euphrates Rivers to the Persian Gulf. Hussein claims that "the Shatt al-Arab is totally Iraqi and totally Arab." 50,000 Iraqi troops are reported stationed along the Iran-Iraq border.

Sept. 18—The Iranian Foreign Ministry denounces Iraq's claim to the Shatt al-Arab; heavy fighting is reported between Iranian and Iraqi forces along the disputed boundary.

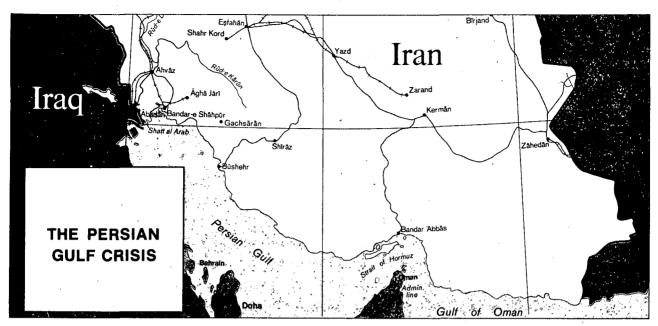
Sept. 20-In Teheran, President and Commander in Chief of the Armed Forces Abolhassan Bani-Sadr calls up his nation's reservists and tells them to report for active duty immediately.

Sept. 22-Iranian President Bani-Sadr confirms reports that Iraqi war planes have attacked 10 Iranian airfields, including Teheran's.

Teheran radio says that "all waterways near the Iranian shores [the Strait of Hormuz] are declared war zones" and no merchant ships will be permitted access to

Sept. 23—Iraqi planes bomb Abadan, Iran's major oil installation; Iraqi troops surround Abadan and the port of Khurramshahr on the Shatt al-Arab.

Iranian planes attack Baghdad, Iraqi oil facilities in



Kirkuk and Mosul, and a petrochemical complex near Basra, the oil terminal; 29 people are killed in the attack on the petrochemical plants including 4 U.S. citizens and 4 British

In Moscow, after a meeting with Soviet Deputy Foreign Minister Viktor F. Maltsev, Iranian Ambassador Mohammed Mokri says the Soviet Union deplores the fighting and will remain neutral.

Sept. 24—Iraqi planes attack Kharg Island, Iran's oilloading terminal; Iran radio reports that oil shipments have been halted and some storage tanks have exploded.

Iranian planes attack a petrochemical plant near Basra, Iraq, and the northern oil centers of Kirkuk and Mosul

Iraqi troops are reported to have seized a 10-mile strip of Iranian territory several hundred miles north of Abadan.

Iraqi Defense Minister General Adnan Khairallah says that "whether it has been declared or not, it is, in fact, war."

Both Iran and Iraq halt all oil shipments from the Persian Gulf area.

Sept. 25—In Paris, Iraq's Deputy Prime Minister Tareq Aziz meets with French President Valéry Giscard d'Estaing; Aziz says Iraq is ready to negotiate with Iran if Iran agrees to recognize Iraq's sovereignty over the Shatt al-Arab and to halt appeals to Shiite Muslims to revolt

In the U.N., Pakistani Foreign Minister and chairman of the Islamic Conference Agha Shahi says that Iraq has agreed to a proposal made by Iranian President Abolhassan Bani-Sadr that the Islamic Conference should act as mediator in the fighting between Iran and Iraq.

In the U.N., the Islamic Conference elects Pakistan President Mohammad Zia ul-Haq to head a peace mission to Iran and Iraq. Secretary General of the Islamic Conference Habib Chatti will accompany Zia to Teheran to negotiate for a cease-fire.

Sept. 26—In Iran, Abadan is reported under heavy artillery fire and burning.

The Iraqi government announces the suspension of all exports of oil because of the damage inflicted on its refineries; this includes oil exported through the overland pipelines to the Mediterranean.

Sept. 27—In Teheran, Iranian President Bani-Sadr welcomes President Zia but Iranian Prime Minister Mohammad Ali Rajai says that Iran will not accept mediation.

In Ankara, Turkish oil officials report that the pipeline that runs from northern Iraq through Turkey to the Mediterranean has been blown up by Kurdish separatist guerrillas.

In Baghdad, Iraqi officials report a major offensive against the Iranian oil port of Khurramshahr and Ahwaz, the capital of Khuzistan.

Iranian officials report continuing attacks on Baghdad and the destruction of 85 percent of the Iraqi oil refinery at Kirkuk.

Sept. 28—President Haq leaves Teheran; Iranian officials refuse to negotiate until all Iraqi soldiers leave Iran.

Sept. 29—Iraqi President Hussein agrees to U.N. Secretary General Kurt Waldheim's request for a cease-fire, provided Iran also agrees. Iran refuses; the fighting continues.

Sept. 30—Iranian planes bomb an Iraqi nuclear research center near Baghdad, but miss the reactor.

South of Baghdad, Iranian planes destroy an oil-fired power station, setting 2 storage tanks on fire.

#### Regional Commonwealth Conference

Sept. 6—16 Asian and Pacific commonwealth countries, meeting in New Delhi, condemn the Soviet intervention in Afghanistan; the conference began September 4.

#### **United Nations**

(See also Intl, Persian Gulf Crisis)

Sept. 7—In Geneva, the United Nations conference on halting the spread of nuclear weapons ends in disagreement.

Sept. 12—Secretary General Kurt Waldheim issues his annual report.

Sept. 13—In Geneva, an 81-nation, U.N.-sponsored conference ends without agreement on the registration practices of merchant ships.

Sept. 16—The 35th annual session of the General Assembly opens in New York with West German Baron Rüdiger von Wechmar as president.

St. Vincent and the Grenadines is admitted as the 154th member of the U.N.

Sept. 20—15 nations who took part in the U.N.-sponsored

Law of the Sea Conference sign a convention providing for the protection of marine life in the Antarctic.

Sept. 22—Secretary General Waldheim proposes the sending of a U.N. team to South Africa to mediate a settlement of the war in Namibia (South-West Africa).

Sept. 23—In Belgrade, the United Nations Educational, Scientific and Cultural Organization (UNESCO) opens its 21st general conference.

Sept. 28—The Security Council votes unanimously to urge Iran and Iraq "to refrain immediately from any further use of force."

Sept. 30—Speaking to the General Assembly, Syrian Foreign Minister Abdel Halim asks for Israel's suspension from the U.N. and the imposition of sanctions against her.

U.S. Secretary of State Edmund S. Muskie meets with Iraqi Foreign Minister Saadun Hamadi at the U.N.; Hamadi says that Iraq has "limited objectives" in the Iran-Iraq war.

#### **Warsaw Pact**

Sept. 8—Warsaw Pact countries begin maneuvers in East Germany.

#### **AFGHANISTAN**

(See Intl, Afghanistan Crisis)

#### **ARGENTINA**

Sept. 30—The ruling military junta postpones for 10 days its selection of a successor to President Jorge Rafael Videla, who is retiring.

#### **BOLIVIA**

Sept. 3—Oil Minister Lider Sossa Salazar announces his government's withdrawal from membership in the Andean Pact; he says the group violated its own rules by intervening in Bolivian affairs.

#### CANADA

Sept. 8—In Ottawa, the 10 provincial premiers and Prime Minister Pierre Elliott Trudeau meet to discuss a new constitution for Canada.

Sept. 13—The conference on a new constitution ends in failure

Sept. 18—The Cabinet agrees to formulate a new constitution despite opposition from several of the provincial premiers.

#### CHILE

Sept. 11—A nationwide referendum is held to decide whether President Augusto Pinochet should remain in office until 1989.

Sept. 12—Voters endorse Pinochet's rule 2 to 1; Pinochet says the message to the U.S. is clear: "Leave us alone."

#### **CHINA**

(See also U.S., Foreign Policy)

Sept. 2—In Beijing, Peng Zhen, deputy chairman of the National People's Congress, outlines new laws to the Congress; China will now tax all income over \$530 a month (this affects very few people); men cannot marry before age 22 nor women before age 20; a 33 percent tax will be imposed on joint ventures.

Sept. 7—Hua Guofeng, chairman of the Communist party, resigns as Prime Minister and formally confirms the anticipated resignation of Deng Xiaoping as Deputy Prime Minister. Both Hua and Deng retain their party

leadership posts. Hua asks the Congress to approve Deputy Prime Minister Zhao Ziyang as his successor.

Sept. 10—The Congress elects Zhao Ziyang Prime Minister; 5 deputy chairmen of the standing committee of the Congress resign and are replaced by men who, on average, are 20 years younger.

Sept. 23—A Foreign Ministry official says that China will not resume peace talks with Vietnam, because of Viet-

nam's aggression toward Cambodia.

Sept. 26—The Central Committee of the Chinese Communist party orders all members to limit their families to 1 child per family. The order affects 38 million members of the party and 50 million members of the Communist Youth League.

#### **CUBA**

(See also U.S., Cuban and Haitian Refugees)

Sept. 23—After 144 days, the last 11 Cuban refugees leave the U.S. diplomatic mission compound in Havana and surrender to the Cuban government.

#### **EGYPT**

(See also Intl, Middle East)

Sept. 26—In yesterday's parliamentary elections, the National Democratic party of President Anwar Sadat wins all 140 of the contested seats on the Consultative Council. The National Democratic party was opposed in 12 of the 26 constituencies by the Liberal party.

#### **EL SALVADOR**

Sept. 16—In San Salvador, terrorists attack the U.S. embassy with anti-tank rocket grenades; the building is damaged but no one is injured.

Sept. 18—In San Salvador, members of the Democratic Revolutionary Front attack and seriously damage the Organization of American States (OAS) building; they take 11 people hostage.

#### **FRANCE**

Sept. 17—At Bologne, striking fishermen vote to end a month-long strike that affected Atlantic and Mediterranean ports.

#### GERMANY, EAST

Sept. 20—In West Berlin, West Berlin railway workers continue their 2-day strike against the East German state railway. The workers are demanding wage increases and union representation from the East German government.

Sept. 22—Workers end a 31-hour blockade of passenger rail service that halted traffic in and out of West Berlin; they continue to block freight traffic.

Sept. 26—The railworkers' strike collapses.

#### **GERMANY, WEST**

(See also Germany, East)

Sept. 26—A bomb explodes at the Munich Oktoberfest; 12 people are killed and 144 are injured.

Sept. 28—In Bonn, federal prosecutor Kurt Rebmann announces that 6 members of the Defense Sport Group have been arrested for planting the bomb at the Oktoberfest. The Defense Sport Group is a banned neo-Nazi paramilitary group.

Sept. 29—The 6 alleged terrorists are released because authorities do not have sufficient evidence of their role in the Munich bombing.

#### **GUATEMALA**

Sept. 2—Francisco Villagrán Kramer resigns as Vice Presi-

dent because of the growing violence in the country.

#### INDIA

(See also U.S., Legislation)

Sept. 22—At Prime Minister Indira Gandhi's request, President Sanjiva Reddy issues an executive decree allowing the government to jail anyone for a year without trial.

#### IRAN

(See also Intl, Iran Crisis, Persian Gulf Crisis; U.S., Administration)

Sept. 7—President Abolhassan Bani-Sadr approves 14 of the 21 proposed candidates for the Cabinet; he fails to approve Hussein Moussavi, who was proposed to replace Sadegh Ghotbzadeh as foreign minister.

Sept. 10—Parliament approves the 14 Cabinet members nominated by Rajai and approved by Bani-Sadr.

Sept. 11—The Revolutionary Council is officially dissolved; Council powers were yielded to Prime Minister Rajai yesterday.

#### IRAQ

(See Intl, Persian Gulf Crisis; Israel)

#### ISRAEL

(See also Intl, Middle East, U.N.)

Sept. 1—Moshe Arens refuses to accept the post of Defense Minister in Prime Minister Menachem Begin's Cabinet; Arens disagrees with Begin over the peace treaty with Egypt.

Sept. 15—In Ramallah, an Israeli military court sentences Rabbi Meir Kahane to 9 months in jail for his role in demonstrations against 2 Palestinian mayors in April and July, 1979.

Sept. 23—The Supreme Court rules unanimously that Israeli soldiers may not refuse to serve as a matter of conscience in the occupied territories.

Sept. 26—In Jerusalem, police issue a summons to Minister for Religious Affairs Aharon Abuhazira for questioning on his ministry's involvement in a kickback scandal.

Sept. 29—Prime Minister Begin reveals that Israel supplied and trained Kurdish rebels opposed to the Iraqi government during the fighting between Iran and Iraq from 1965 through 1975.

Sept. 30—The shekel, equivalent to 10 Israeli pounds, becomes the nation's official currency.

#### ITALY

Sept. 27—Parliament defeats a government economic proposal by a vote of 298 to 297; the coalition government of Prime Minister Francesco Cossiga resigns.

#### KOREA, SOUTH

Sept 1.—Chun Doo Hwan is inaugurated as President.

Sept. 2—President Chun names Nam Duck Woo as Prime Minister and appoints mostly civilians to his 20-member Cabinet.

Sept. 7—President Chun appoints Kim Song Jin as Deputy Director of the Korean Central Intelligence Agency.

Sept. 17—A military court sentences opposition leader Kim Dae Jung to death and 23 others dissidents to between 2 and 20 years in jail.

Sept. 22—The National Assembly approves the appointment of Nam Duck Woo as Prime Minister.

Sept. 29—President Chun proposes a constitution that would limit the President's tenure to 1 7-year term. A referendum on the constitution is scheduled for next month.

#### LIBERIA

Sept. 19—In the U.N., Liberian Foreign Minister Gabriel Baccus Matthews says that U.S. aid to the new government marks "a reaffirmation of confidence"; by August 31, 1980, the U.S. Congress approved \$5.5 million for development assistance, \$5 million for the national budget and \$200,000 for medical supplies.

#### **LIBYA**

Sept. 1—In Tripoli, Colonel Muammar el-Qaddafi proposes that Libya and Syria merge into a single nation as a united front against Israel.

Syrian leader President Hafez al-Assad agrees to the

proposal.

Sept. 10—A joint communiqué is issued in Tripoli and Damascus proclaiming the unification of Libya and Syria.

#### **NICARAGUA**

Sept. 5—A committee representing 13 foreign commercial banks agrees to reschedule debt repayment by the Sandinist government for all the debts incurred by the government of Anastasio Somoza Debayle.

Sept. 12—In Washington, D.C., the U.S. Congress releases \$75 million in aid to Nicaragua.

Sept. 17—In Asuncion, Paraguay, former government strongman Somoza is shot and killed; his driver and bodyguard are also killed.

In Washington, D.C., it is reported that the Sandinist government has arrested former officers of Somoza's disbanded National Guard; they are charged with conspiring to overthrow the current government.

#### **PANAMA**

Sept. 28—Nationwide elections are held for seats on the Executive Council of the National Assembly; this is the first election to include opposition political parties since 1968, when General Omar Torrijos Herrera took power.

#### **PHILIPPINES**

Sept. 9—Military leaders confirm the arrest of 8 labor leaders and the issuance of warrants for others. Union leaders are organizing a major workers' rally for late September to protest the government's meager wage increases.

Sept. 12—In Manila, 9 bombs explode in buildings around the city; the April 6 Liberation Movement claims responsibility for the bombings.

#### **POLAND**

(See also U.S.S.R.; U.S., Foreign Policy)

Sept. 1—Workers in the Baltic industrial region return to work following an 18-day strike; the Gdansk agreement reached between the workers and the government gives workers the right to strike and to form independent unions, permits churches and other groups access to government-controlled news organizations, and relaxes censorship.

Coal miners in Silesia, in the southern region, continue their 3-day strike.

Sept. 2—Deputy Prime Minister Aleksander Kopec says an accord has been reached between the government and the striking coal workers.

Sept. 3—In Silesia, coal miners return to work; they have won the same rights as the workers in the Gdansk region.

The Polish press agency PAP announces a Soviet offer to lend the country about \$100 million in hard currency.

Sept. 6—The Central Committee appoints Wladyslaw Kania to replace Edward Gierek as Prime Minister.

Prime Minister Kania says the Communist party will honor the terms of the Gdansk settlement; Soviet President Leonid I. Brezhnev sends congratulations to Kania.

- Sept. 7—In Warsaw, strike leader Lech Walesa meets with Roman Catholic Primate of Poland Stefan Cardinal Wyszynski.
- Sept. 11—In Moscow, at the conclusion of talks between Soviet President Brezhnev and Polish Deputy Prime Minister Mieczyslaw Jagielski, the Soviet press agency Tass reports that the Soviet Union will increase its deliveries of food and manufactured goods to Poland.
- Sept. 12—Workers go on strike in scattered areas of the country to demand union rights.
- Sept. 19—In response to striking workers' demands in the coal-mining region of Katowice, Politburo member Zdzislaw Grudzien is dismissed from his post.
- Sept. 21—As part of the Gdansk agreement, the Roman Catholic Church begins a weekly radio broadcast of the mass in Warsaw.
- Sept. 24—In Warsaw, the newly formed independent nationwide union called Solidarity registers with a Warsaw court.
- Sept. 27—In Moscow, an article in *Pravda*, the government newspaper, warns of increasing pressure on the independent unions "from anti-Socialist positions."

#### ST. VINCENT AND THE GRENADINES

(See Intl, U.N.)

#### SAUDI ARABIA

(See Intl, IBRD, OPEC; U.S., Foreign Policy)

#### SOMALIA

(See U.S., Foreign Policy)

#### **SOUTH AFRICA**

(See also Zimbabwe)

Sept. 23—The Department of Education and Training reports that the government has closed 77 schools because of the boycott of classes by non-whites.

#### SPAIN

- Sept. 2—In Barcelona, terrorists assassinate General Enrique Briz Armengol.
- Sept. 17—The government of Prime Minister Adolfo Suárez wins a vote of confidence. The vote follows last week's changes in the Cabinet and is the first confidence vote since the country adopted parliamentary government.

#### SYRIA

(See Libya)

#### **TURKEY**

(See also Intl, Persian Gulf Crisis)

Sept. 12—In Ankara, General Kenan Evren announces that officers of the army, navy, air force and national police have taken control of the government. Military officers form a National Security Council until a new government is formed.

Leaders of the major political parties and some 60 members of Parliament are arrested and placed in protective custody; they include former Prime Ministers Suleyman Demirel and Bulent Ecevit.

The constitution and all political parties are abolished; martial law is extended to all 67 provinces; Parliament is dissolved.

- Sept. 13—The leader of the National Security Council, chief of staff General Evren, orders the tanks to withdraw from Ankara and return to their bases.
- Sept. 14—Right-wing political leader Alpaslan Turkes surrenders to military authorities; Turkes whose Grey Wolves have been responsible for much of the political terrorism, heads the opposition National Movement party.
- Sept. 17—In Istanbul, district police chief Aykut Genc and his wife are killed by terrorists; leader of the Marxist-Leninist Armed Propaganda Unit Zeki Yumurtaci is also assassinated in Istanbul.
- Sept. 20—The National Security Council names a former commander of the navy, Admiral Bulent Ulusu, as interim Prime Minister.

The regime announces that summary trials are being expedited; some 1,500 terrorist suspects have been arrested.

Sept. 21—Ulusu announces the formation of his Cabinet; it contains 6 military officers and 20 civilians, including Turgut Ozal, formulator of the Demirel regime's economic austerity program.

Sept. 27—Ulusu tells members of the National Assembly that once a new constitution has been written, the country will return to a liberal parliamentary system.

#### **UGANDA**

Sept. 17—The chairman of the ruling military commission tells all non-members of the People's Congress party to resign from the Cabinet, or they will be dismissed. With this action, the People's Congress party, the party of former President Milton Obote, takes power.

#### U.S.S.R.

(See also Persian Gulf Crisis; Poland)

Sept. 4—Tass, the government press agency, acknowledges that the Central Committee of the Polish Communist party has approved the agreements reached between the striking Polish workers and the Polish government negotiators.

#### UNITED STATES

#### **Administration**

- Sept. 6—White House officials confirm the establishment of a new revision of the security classification system with the designation "royal" replacing "top secret" as the highest designation, limiting the most sensitive information to a very few officials.
- Sept. 8—The Occupational Safety and Health Administration reports that it will appeal the decision of 2 administrative law judges who rejected citations against an American Cyanamid plant where 5 women were apparently encouraged to undergo sterilization procedures to keep their jobs, which the company considered hazardous to women of childbearing age.

Sept. 10—President Jimmy Carter appoints Deputy Secretary of Energy John C. Sawhill chairman of the 7-man board of the Synthetic Fuels Corporation, which is to oversee the spending of up to \$88 billion to create an American synthetic fuels industry.

Sept. 15—A 3-judge panel of the U.S. Court of Appeals overturns the murder convictions of the 3 men convicted of murdering Chilean exile leader Orlando Letelier and his secretary in 1976, because 2 key government informers were detained in the same cellblocks as 2 of the accused; the judges held that, under a June 16 ruling by the Supreme Court, the testimony of "jailhouse in-

- formers" is inadmissible evidence in court.
- Sept. 21—Spokesman for the Immigration and Naturalization Service Verne Jarvis says that about 12,000 Iranian students are living in the U.S. illegally; some 2,000 have been ordered to leave the country after deportation hearings.
- Sept. 23—The Federal Bureau of Investigation (FBI) reports a 9.1 percent increase in crime in the U.S. for 1979.
- Sept. 25—In Detroit, U.S. district court Judge Horace W. Gilmore rules that the 1980 U.S. census undercounted blacks and those of Hispanic origin, an undercount that "gives rise to a constitutional violation of the one-person, one-vote principle, because blacks simply are not counted as much as whites"; the judge invalidates the 1980 census count and gives the Census Bureau 30 days to come up with a "statistically defensible" way to correct this at all levels.

#### Cuban and Haitian Refugees

- Sept. 18—2 Cuban refugees to the U.S. who hijacked a Delta airlines jet to Havana yesterday are returned to the U.S. to face charges.
- Sept. 19—Attorney General Benjamin Civiletti informs a Senate Judiciary Committee that because of the influx of some 122,000 Cuban refugees and 6,000 Haitians, the U.S will accept only 217,000 refugees for fiscal 1981 (14,700 fewer than fiscal 1980) at a cost of \$690 million.
- Sept. 23—The White House announces that Fort Allen in Puerto Rico will be reopened to house some 4,500 Cuban and Haitian refugees.
- Sept. 26—The Cuban government officially ends the exodus of refugees to the U.S. and orders all remaining boats in Cuba to leave without refugees.

#### **Economy**

- Sept. 16—The Federal Reserve-Board reports that the nation's industrial production rose 0.5 percent in August after declining for 6 months in a row.
- Sept. 22—Gold goes above \$700 a troy ounce for the 1st time in 6 months, closing at \$710 a troy ounce on the London market.
- Sept. 23—The Labor Department reports that its consumer price index rose 0.7 percent in August.
- Sept. 25—The Federal Reserve Board announces a rise in its discount rate from 10 percent to 11 percent, effective September 26.
- Sept. 26—The Commerce Department reports a U.S. foreign trade deficit of \$1.1 billion, the lowest in over 4 years.
  - Most of the nation's large banks raise their prime rate to 13 percent.
- Sept. 30—The Commerce Department reports that its index of leading economic indicators rose 1.9 percent in August.

#### Foreign Policy

- (See also Intl, Iran Crisis, Middle East, Persian Gulf Crisis; Liberia; Nicaragua)
- Sept. 8—In Beijing, U.S. Deputy Assistant Secretary of State for transportation and telecommunications Boyd Hight and Chinese officials initial an agreement to begin regular commercial flights between the U.S. and China.
- Sept. 12—In a televised announcement, President Jimmy Carter announces the approval of \$670 million in new credit guarantees to enable the new government of Poland to purchase grain.
- Sept. 17—In a White House ceremony, President Jimmy Carter and Chinese Deputy Prime Minister Bo Yibo sign

- agreements on textile trade, civil aviation, consular services and shipping.
- Sept. 18—U.S President Carter says that "to preserve the honor and integrity" of the United States, the U.S will not apologize to Iran in order to obtain the release of the hostages.
- Sept. 23—President Carter, speaking of the Iran-Iraq war, says "We will not become involved . . . and we are urging and insisting that the Soviet Union and other nations not interfere."
- Sept. 24—U.S President Carter says that the U.S. is consulting other countries in order to maintain the "freedom of navigation in the Persian Gulf," which is of "primary importance to the whole international community."
- Sept. 25—A U.S. State Department official says that in order to "proclaim our neutrality" the General Electric Company has been asked to suspend shipment of 6 turbine engines that were to be used to power Iraqi frigates.
  - U.S. Secretary of State Edmund S. Muskie meets with Soviet Foreign Minister Andrei A. Gromyko in Washington, D.C., and reports that the U.S. and the Soviet Union have agreed to remain neutral in the Iran-Iraq war.
- Sept. 30—The White House announces that, at the request of the Saudi Arabian government, the U.S. will send 4 Airborne Warning and Control System (Awacs) Boeing 707 planes and their ground crews to Saudi Arabia to give the Saudis an early warning capability.

The House Appropriations Subcommittee on Foreign Appropriations gives conditional approval for the sale of \$20 million in arms to Somalia provided there is "verified assurance" that Somali troops have withdrawn from Ethiopia's Ogaden region.

#### Labor and Industry

- Sept. 5—Energy Secretary Charles W. Duncan reports that U.S. oil imports for August declined by 37 percent from August, 1979, to about 5.2 million barrels a day.
- Sept. 11—The Department of Agriculture reports that severe drought in most of the eastern half of the U.S. will sharply reduce crop yields.
- Sept. 30—President Carter announces new regulations on imports designed to help the U.S. steel industry compete with low-cost foreign imports.

#### Legislation

- Sept. 9—In a message to Congress along with a 250-page compendium of export incentives and disincentives prepared at the request of Congress, President Carter announces proposals to encourage exports and says that "a strong export position has become a matter of great significance to the economic strength and welfare of our nation."
- Sept. 12—In a report to the Senate Environmental Committee, Surgeon General of the U.S. Julius Richmond says that "toxic chemicals are adding to the disease burden of the United Nations in a significant . . . way."
- Sept. 16—In a 52-38 vote, the Senate approves funds for the construction of facilities to produce new nerve gas weapons; the House passed the measure earlier. The \$3.15 million measure is part of the military construction bill passed by the House September 10; it must be included in the final bill after a House-Senate conference.
- Sept. 24—The Senate votes 48 to 46 to reject a resolution that would block the sale of uranium to India; the House voted 298 to 98 in favor of the resolution on September

18; unless both chambers approve the blocking resolution, the sale of uranium to India goes forward.

Sept. 25—Completing congressional action, the Senate votes 83 to 6 to approve a \$48.4-billion higher education bill; the House approved the bill by a voice vote last week. The bill increases interest charges on student loans.

#### **Military**

Sept. 9—Assistant Secretary of Defense for public affairs Thomas B. Ross confirms reports that 6 of 10 homebased army divisions are deficient in combat readiness; 6 overseas divisions are combat ready.

Sept. 19—In Arkansas, a Titan 2 nuclear missile silo explodes as a result of a fuel leak, killing 1 and injuring 21

Sept. 22—A Defense Department source reveals that the slightly damaged nuclear warhead of the Titan 2 missile that was ejected in the explosion of its silo and recovered yesterday was moved to Little Rock, Arkansas, Air Force base. According to a *New York Times* report, the weapon was then flown to Texas for disassembly.

Sept. 26—White House officials report that at a meeting yesterday of high-ranking national security and foreign policy officials it was decided to increase plutonium production for nuclear weapons for the 1st time since the early 1960's.

Washington, D.C., sources report that a U.S. Navy fleet readiness report of September 15 showed that only 6 of 13 aircraft carriers are in a state of combat readiness.

#### **Politics**

Sept. 1—Democratic presidential candidate Jimmy Carter and Republican presidential candidate Ronald Reagan open their fall election campaigns.

Sept. 4—The 104 members of the general board of the AFL-CIO announce that the organization will support President Jimmy Carter for reelection.

Sept. 14—National campaign manager for President Carter Tim Kraft leaves his post temporarily to "avoid [the] political exploitation of the false charges against me"; he is alleged to have used cocaine, and is under preliminary investigation by special prosecutor Gerald J. Gallinghouse of New Orleans.

Sept. 22—In Baltimore, Republican candidate Ronald Reagan and Independent candidate John B. Anderson participate in a televised debate sponsored by the League of Women Voters; President Carter refused to participate because Anderson was invited.

#### **Supreme Court**

Sept. 18—Upholding a lower court ruling in Ohio, the Supreme Court refuses to hear an appeal by the State of Ohio that would have kept Anderson's name off the ballot in the presidential election.

#### **WESTERN SAHARA**

Sept. 4—Polisario Front guerrillas report that they mounted a raid deep in Moroccan territory and inflicted heavy casualties; the Moroccan government confirms the report but claims its troops repulsed the guerrillas.

#### ZIMBABWE

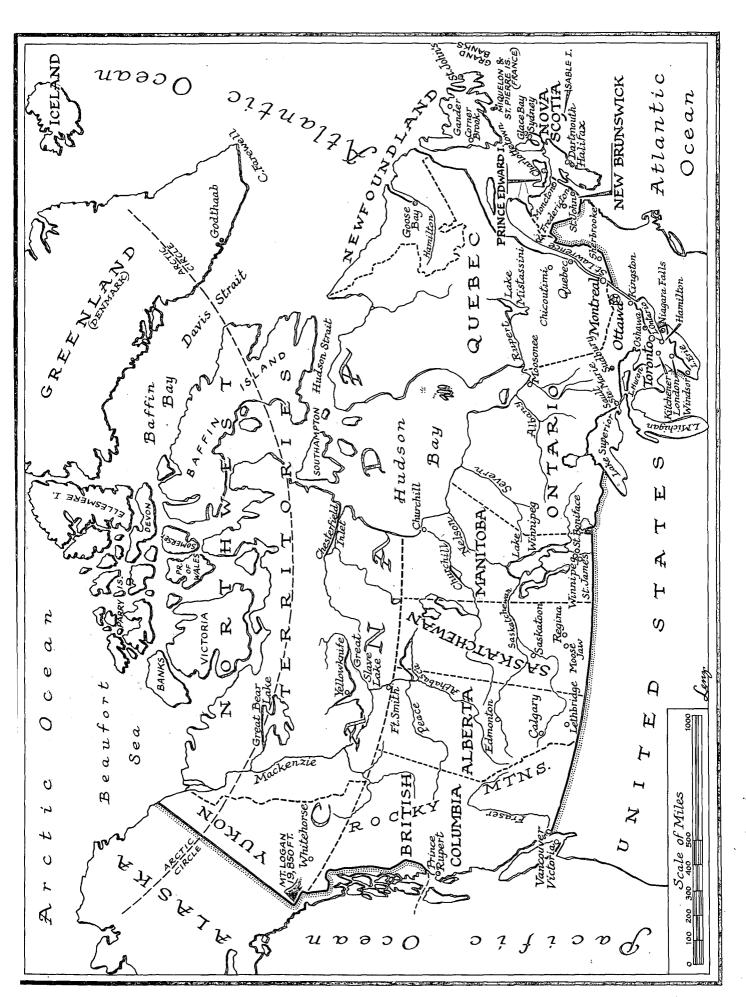
Sept. 3—In Salisbury, a Foreign Ministry spokesman announces that Zimbabwe has broken diplomatic relations with South Africa; however, trade relations will continue.

Sept. 10—In Washington, D.C., the International Monetary Fund admits Zimbabwe as a member.

Sept. 17—Prime Minister Robert Mugabe dismisses military commander Lieutenant General Peter Walls; he accuses Walls of damaging the interests of the country.

Sept. 30—Figures released in Salisbury show emigration from Zimbabwe at its highest level since the peak of the guerrilla war in 1978.

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In this issue, recent political and economic developments in Southeast Asia are evaluated. Our introductory article points out that "the dramatic changes in the international politics of Southeast Asia since early 1978 have been linked to a major shift in the United States-Soviet-Chinese strategic triangle."

# The Great Power Triangle in Southeast Asia

BY GARETH PORTER

Professorial Lecturer, School for Advanced International Studies, Johns Hopkins University

OUTHEAST Asia is once again an arena of conflict involving the three great powers—the United States, the People's Republic of China (PRC) and the Soviet Union. The conflict centers again on Vietnam; the driving force in the region for two years has been Vietnam's relationship with the Soviet Union. China insists that Vietnam is hostile because of Vietnam's close ties with Moscow; Vietnam, backed by Moscow, refuses to bow to Chinese demands that it reverse its course.

The events of 1978 and 1979 changed the face of international politics in Southeast Asia: China and Vietnam broke relations; Vietnam and the Soviet Union formed a virtual military alliance; Vietnam occupied Cambodia and was invaded by China; the United States and China became de facto allies and, with ASEAN, they formed a new coalition of states in opposition to Vietnam's domination of Cambodia.

Even before the Vietnam war ended, relations between China and Vietnam had begun to deteriorate. China insisted that the Soviet Union was the main threat to independence and peace in Southeast Asia, while the Vietnamese continued to regard the Soviet Union as an ally against the real enemy, the United States. The PRC was determined to realign Vietnam with China eventually. But in the short run, it took several steps simply to contain Vietnamese influence in the region while increasing its own influence. It tried to strengthen Pol Pot's virulently anti-Vietnamese regime in Kampuchea (Cambodia). It encouraged Thailand, which was fearful of the expansion of Vietnamese power, to look to China for support. And it encouraged Thailand and Kampuchea to normalize relations with each other and urged the United States to improve relations with Kampuchea.

Despite its growing hostility to Vietnam, China carefully refrained from siding openly with the Pol Pot regime in Kampuchea's escalating border war with Vietnam in late 1977 and early 1978.2 China's restraint was apparently related to the measured steps it was taking to signal Moscow that China was prepared to improve relations.3 By April, 1978, however, several developments had convinced Beijing that the United States and Japan were moving toward a strategic alignment with China against the Soviet Union. The United States announced in February that it would strengthen its Pacific Fleet to counter growing Soviet military strength in the region; President Jimmy Carter gave a speech in March in which he adopted a much stronger stance on Soviet policy in Africa, and agreed to send anti-Soviet hard-liner Zbigniew Brzezinski to China in May. And, finally, the Japanese indicated in March that they wanted to resume negotiations on a Sino-Japanese Friendship Treaty—long stalled over the issue of China's demand for an "anti-hegemony" clause.4

March-April, 1978, appeared to mark the end of China's effort to improve relations with Moscow as well as the beginning of a more decisive Chinese

nam," in ibid.

<sup>&</sup>lt;sup>1</sup>For more details, see Gareth Porter, "Vietnamese Policy and the Indochina Crisis," in David W. P. Elliott, ed., *The Third Indochina War* (Boulder, Colo.: Westview Press, 1980).

<sup>2</sup>See Robert Sutter, "Chinese Strategy Toward Viet-

<sup>&</sup>lt;sup>3</sup>See Thomas Gottlieb, "The Hundred-Day Thaw in China's Soviet Policy," *Contemporary China*, vol. 3, no. 2 (summer, 1979), pp. 3-14.

<sup>&</sup>lt;sup>4</sup>On the important changes in U.S. and Japanese policies during this period and their impact on Beijing, see Gottlieb, op cit., and Banning Garrett, The "China Card" and Its Origins (Berkeley: Institute of International Studies, forthcoming), chapter 6.

policy toward the Vietnamese. In this period, the decision was made for the first time to draw the line clearly against Vietnam. The opportunity arose when tens of thousands of ethnic Chinese —mostly from North Vietnamese cities and border provinces—left for China amid rumors of a Sino-Vietnamese war.<sup>5</sup>

In late May, China launched a major propaganda campaign' against the alleged mistreatment of the ethnic Chinese "under the command of Moscow." Beijing immediately reduced its ties with Vietnam, including economic aid projects, held mass anti-Vietnamese rallies in China, threatened further retaliations against any new anti-Chinese move by Vietnam, and began a military buildup on the Vietnamese border. Meanwhile, the PRC told ASEAN diplomats that its actions were related more to the issue of Vietnam's ties with Moscow than to the treatment of Overseas Chinese.6

The political break with Vietnam, ostensibly over the Overseas Chinese issue, was the first step in a policy of pressure to force Hanoi to back away from the Soviet Union. The risk that this pressure would result in greater Soviet influence in Vietnam in the short run was recognized and accepted by Beijing. A Chinese diplomat in Hanoi, when asked in mid-1978 whether the recent Chinese moves would force Vietnam further into the arms of the Soviet Union, replied, "Of course they will, but the Vietnamese will then have to go through what we did with the Soviets in the 1950's." The Chinese assumed that greater Vietnamese dependence on the Soviet Union would sharpen the contradictions between Moscow and Hanoi (as it had sharpened tensions between the PRC and the U.S.S.R. two decades earlier) and would hasten the day when the Vietnamese would reassert their independence by ejecting the Soviet presence.

A careful analysis of China's reaction to the signing of the Soviet-Vietnamese Treaty of Friendship and

<sup>5</sup>For detailed discussion of the exodus and the background of the ethnic Chinese problem in Vietnam, see Gareth Porter, "Vietnam's Ethnic Chinese and the Sino-Vietnamese Conflict," *Bulletin of Concerned Asian Scholars*, vol. 12, no. 4 (October-December, 1980).

<sup>6</sup>Nayan Chanda, "Southeast Asia Comes into Focus," Far Eastern Economic Review (FEER), July 7, 1978, p. 8.

<sup>7</sup>Interview with a European diplomat then stationed in Hanoi, February, 1979.

8"The Social-Imperialist Strategy in Asia," Peoples Daily (Hanoi), December 30, 1978; Sutter, op. cit.

<sup>9</sup>Kyodo News Service (Tokyo), December 6, 1979, in Foreign Broadcast Information Service (FBIS), *PRC Daily Report*, December 6, 1979, p. D7.

<sup>10</sup>Norodom Sihanouk declared in an interview shortly after leaving Cambodia that Deng Xiaoping had personally advised the Pol Pot regime to set up guerrilla bases in the jungle in anticipation of the Vietnamese occupation. *Aftonbladet* (Stockholm), March 29, 1979.

<sup>11</sup>See Daniel Tretiak, "China's Vietnam War and its Consequences," *China Quarterly*, December, 1979, pp. 752-769.

Cooperation in November, 1978, suggests that China viewed it as a tactical sacrifice necessary to its long-term strategy. China argued that the Vietnamese-Soviet alliance was aimed primarily at the United States presence in Asia, as part of the continuing superpower contention in the world, and that it would only arouse greater opposition to the Soviet Union in Asia.<sup>8</sup>

Beijing similarly viewed Kampuchea as a pawn that would have to be sacrificed in the short run for the sake of its main strategic objective in Southeast Asia—the realignment of Vietnam with China. Although Beijing knew about Vietnamese preparations for a major offensive that might result in Pol Pot's ouster, it made no effort to deter Vietnam from the invasion by threats of military retaliation until it had already begun. Deputy Prime Minister Deng Xiaoping saw the opportunity for a guerrilla war against Vietnamese forces in Cambodia as another way of making Vietnam's anti-Chinese policy too costly to sustain.

China's 17-day invasion of Vietnam in February, 1979, was geared to its long-term strategy in Vietnam as well as to short-term calculations about big power politics. It wanted to firm up American and Japanese anti-Soviet policies by showing that the Soviet Union would not dare to invade China when confronted with decisive action. At another level, it wanted to show Vietnam that its Soviet alliance could not save it from China's punishment. But at a third level, it wanted to lend credibility to future Chinese threats to invade Vietnam.

China was disappointed with the reactions of the United States and Japan, both of whom were mildly critical of the invasion and failed to toughen their stances toward the Soviet Union as the months passed. The invasion was not a great military success either, and forced a major increase in Chinese defense spending for 1979. But the operation did underline China's willingness to use military force against Vietnam despite the Vietnamese-Soviet treaty, and it compelled the Vietnamese to keep several hundred thousand more troops mobilized in Vietnam, keeping it off balance economically. Thus, after the Chinese withdrawal in March, Beijing periodically reiterated the threat to "teach Vietnam another lesson" to insure that Hanoi would not relax.

In a tactical shift, China began discussions with the Soviet Union in October, 1979, on a document on peaceful coexistence to replace the Treaty of Friendship that had been allowed to expire. The Chinese negotiating stance was to demand an end to Soviet support for Vietnam as one of six conditions for a statement on normal Chinese-Soviet relations. From then on, instead of presenting Vietnam as a servile lackey of the Soviet Union, Beijing began to emphasize the conflicts between the interests of Moscow

and those of Hanoi, suggesting that the Soviet Union might not be willing to support Vietnam's aims indefinitely and that the Vietnamese would prefer to be less dependent on Moscow.<sup>12</sup>

China's diplomacy in non-Communist Southeast Asia in 1979-1980 concentrated on maintaining the hard-line position of the ASEAN states on Kampuchea: full diplomatic support for the Pol Pot regime and no negotiations until after Vietnamese troops were withdrawn. The Chinese strategy was under attack from Malaysia and Indonesia in early 1980, creating anxieties in Thailand about ASEAN unity. In April, the new Thai government of Prem Tinsulanond reportedly asked China to suspend its arms shipments to Pol Pot. Beijing reacted with a warning to Bangkok in the form of the first broadcast attack by the Thai Communist party on the Thai government in ten months (over the Yunnan-based Malaysian Communist party radio).13 But the Vietnamese border incursion into Thailand in June, 1980, pushed Thailand even further toward a security relationship with China: unlike previous occasions when China offered to help defend Thailand against a Vietnamese attack, this time Bangkok did not refuse the offer.

#### **SOVIET ALLY**

Southeast Asia has never been an area of primary concern to the Soviet Union. Lacking any military, economic or political means to influence non-Communist states in the region, Moscow has long seen it as an area in which geography and history have given China vastly greater influence. 14 Its postwar policy toward the ASEAN states has been aimed at encouraging them to be more independent of Washing-

<sup>13</sup>John McBeth, "Moulding a New Relationship," *FEER*, August 8, 1980, p. 10; Richard Nations, "Revolving Door Diplomacy," *FEER*, May 16, 1980.

<sup>14</sup>See Morris Rothenberg, Whither China: The View from the Kremlin, Center for Advanced International Studies, University of Miami, Monographs on International Affairs, 1977, pp. 176-177.

<sup>15</sup>See for example, *Pravda*, February 22, 1976, FBIS, *U.S.S.R. Daily Report*, February 25, 1976, p. K1.

<sup>16</sup>Rothenberg, op. cit., pp. 186-189.

<sup>17</sup>For a discussion of Soviet-Vietnamese relations since the Vietnam War, see "Vietnam's Soviet Alliance: A Challenge to U.S. Policy," *Indochina Issues*, no. 6, May, 1980, pp. 2-3.

<sup>18</sup>This discussion is based on discussions with Soviet officials over the past two years. For an analysis which parallels this one, see Vladimir Petrov, "New Dimensions of Soviet Foreign Policy," in Franklin E. Margiotta, ed., Evolving Strategic Realities: Implications for U.S. Policymakers (Washington, D.C.: National Defense University Press, 1980), pp. 21-22.

ton and wary of China's ability to interfere in their internal affairs.<sup>15</sup> At a time when Vietnam was still viewing ASEAN as a United States-sponsored military bloc, Moscow was reporting with approval indications that the Indochinese states rejected any military role and intended to make Southeast Asia a "zone of peace, freedom and neutrality."<sup>16</sup>

The Soviet Union's postwar concern in Southeast Asia was Vietnam's attitude toward the Sino-Soviet conflict. Growing geopolitical tensions between China and Vietnam offered Moscow new opportunities to draw Vietnam firmly into the Soviet camp-something it had tried to do unsuccessfully throughout the war.<sup>17</sup> Soviet interest in closer relations with Vietnam had several aspects. First, Vietnam was Moscow's only potential channel of influence in Southeast Asia, although it was subject to pressure from Beijing to tilt in China's direction. Second, Moscow could use a Vietnamese alignment with the Soviet Union to drive a wedge between China and other Communist or radical states who supported Vietnam. Third, Vietnam was a major obstacle to Beijing's anti-Soviet drive in the region as well as to the expansion of Chinese influence. Finally, Soviet leaders undoubtedly hoped to obtain military concessions from Vietnam and to establish at least some military presence in the region for the first time.

In the postwar period, Moscow wanted Vietnam to join its economic bloc, COMECON,\* to sign a treaty of friendship and cooperation, to give the Soviet Union permission to use Vietnamese air and naval bases. But despite the tense Sino-Vietnamese relationship, Hanoi turned down all three Soviet requests in 1975. Moscow nonetheless continued to woo Vietnam by offering both diplomatic and economic support. On the Sino-Vietnamese dispute over ownership of the Spratly and Paracel Islands in the South China Sea, the Soviet Union charged that Chinese claims showed its expansionist aims. And just as China began to cut back on its postwar economic aid to Vietnam, the Soviet Union pledged \$3 billion in economic aid to Vietnam's 1976-1980 five year plan.

#### AN AMBIVALENT ATTITUDE

But while generally supporting Vietnam in the rivalry between Hanoi and Beijing, Moscow viewed Vietnam's escalating conflict with the Pol Pot regime in Kampuchea with considerable ambivalence. <sup>18</sup> On one hand, the Soviets did not want Kampuchea to be controlled by a regime they considered pro-Chinese. But on the other hand, they had no interest in Vietnamese domination of Kampuchea and feared that any Vietnamese move to replace Pol Pot would lead to a military confrontation with China. Such a confrontation and the inevitable Soviet support for Vietnam could disrupt the SALT negotiations with Washington. And it could seriously worsen Sino-

<sup>\*</sup>The Council for Mutual Economic Assistance.

<sup>&</sup>lt;sup>12</sup>Interview with PRC Vice Foreign Minister Han Nianlong, *FEER*, April 12, 1980, p. 19; Fang Yuan, "An Expedient Marriage," *Renmin Ribao*, December 18, 1979, FBIS, *PRC Daily Report*, December 28, 1979, p. E7.

Soviet relations at a time when the Soviet Union was engaged in efforts to improve them.<sup>19</sup>

Moreover, a Vietnamese invasion of Kampuchea to oust Pol Pot would be a major setback to the Soviet postwar strategy aimed at reducing the opportunity for either the United States or China to reconstitute a cold war political-military bloc against the Soviet Union in Southeast Asia. It would give Beijing a new opening to increase its influence with the non-Communist states, and could lead to new military ties between the United States and ASEAN.

Vietnam's initial failure to use military means to replace Pol Pot in late 1977 and early 1978 undoubtedly reflected not only its desire to avoid war with China but the knowledge that the Soviet Union would oppose its use of the military. The Sino-Vietnamese confrontation came before Hanoi had moved against Pol Pot militarily, as a result of a Chinese decision to put strong pressure on Hanoi. In June, 1978, Vietnam informed the Soviet Union that it was ready to join COMECON, to sign a Friendship Treaty, and agree to new military cooperation with Moscow. But the Vietnamese also said they intended to take action to eliminate the Pol Pot regime. The Soviet Union had to accept the Vietnamese military plan for Kampuchea as the price of the new alliance.

Developments outside Southeast Asia provided a further reason for the Soviet Union to go along with the Vietnamese plan, despite its reservations: the Brzezinski trip to China in May and the Sino-Japanese treaty in August suggested to the Soviet Union that a United States-Japan-China axis was in the making. <sup>21</sup> The prospects for an improvement of relations with China were clearly bleak, and the need for a Soviet move to redress what appeared to be a shift in the global power balance in favor of the United States and China had become evident.

Thus the Soviet-Vietnamese treaty committed the Soviet Union to take "effective measures" to repel any

<sup>19</sup>The Soviets sent a secret letter to the PRC in late February, 1978, proposing the reopening of Sino-Soviet political talks. Banning Garrett, "The China Card: To Play or Not to Play," *Contemporary China*, vol. 3, no. 1 (spring, 1979), pp. 7-8.

<sup>20</sup>For a detailed discussion of Vietnamese policy toward China and Cambodia in 1977 and 1978, see Porter, "Vietnamese Policy and the Indochina Crisis." *et. cit.* 

namese Policy and the Indochina Crisis," op. cit.

21On the Brzezinski visit, see Garrett, "The China Card,"
pp. 9-10. On Soviet concerns regarding the Sino-Japanese
Treaty, see Avigdor Haselkorn, "Impact of Sino-Japanese
Treaty on the Soviet Security Strategy," Asian Survey, June,
1979, p. 560, fn. 8.

<sup>22</sup>See the statement by Soviet Foreign Minister Gromyko, *Washington Post*, February 27, 1979. Interview with a Soviet diplomatic source, February 22, 1979.

<sup>23</sup>Differences within the Soviet leadership on détente and the question of U.S. collusion with China are analyzed in Gerald Segal, "The USSR and the Great Power Triangle: A Case Study of the Sino-Vietnamese War," unpublished paper.

attack on Vietnam by China, in return for which the Vietnamese gave the Soviet Union the right to use Vietnam's ports and airfields, albeit on a case-by-case basis. The secret agreement on military cooperation, which could be brought into effect when either party deemed it necessary for its security, marked a new phase in the Soviet role in Southeast Asia. In the months following the Chinese invasion of Vietnam, the Soviets flew long-range reconnaissance missions from Vietnam air bases, began regular visits to Vietnamese ports by warships and submarines, and constructed naval and air communications facilities in Danang.

But the Soviet response to the Chinese invasion also underlined the higher priority it placed on big power détente. Viewing the Chinese attack primarily as an attempt to disrupt United States-Soviet détente, Soviet leaders were determined not to intervene directly unless the Vietnamese capital was threatened.<sup>22</sup> And despite initial suspicions that the United States had conspired with China by giving its approval to the Chinese invasion in advance, the Soviet leaders did not downgrade détente with the United States.<sup>23</sup>

The Vietnamese invasion of Kampuchea also clarified the conflicts in strategic interest between Moscow and Hanoi. When it began to appear that a long-term Vietnamese military occupation was in prospect, Moscow began to suggest privately the desirability of a negotiated coalition government with the participation of Norodom Sihanouk. And Soviet leaders feared that a Vietnamese crossing of the Thai border would provoke an even more serious crisis in relations with the United States and the ASEAN states. Moscow offered both public and private assurances to Thailand and the United States that Vietnam would not invade Thailand. Nevertheless, in June, 1980, Vietnamese troops attacked Cambodian refugee camps on the Thai border, indicating that the Soviet Union had a very limited influence on Vietnamese policy in Kampuchea.

#### UNITED STATES POLICY

The central issue in United States policy toward postwar Southeast Asia has been its role in China and in Vietnam. Two different approaches to the problem have been tried: the first downgraded the importance (Continued on page 195)

Gareth Porter is the author of A Peace Denied: The United States, Vietnam and the Paris Agreement (Bloomington, Ind.: Indiana University Press, 1975) and editor of The Vietnam War: A Documentary History (New York: New American Library, 1980). He lectures on the international politics of Southeast Asia at the School of Advanced International Studies at Johns Hopkins and is a fellow of the Center for International Policy's Indochina Project, Washington, D.C.

"Over the next five years, Vietnam faces the prospect of insufficient foreign assistance, diminished economic independence and a negligible improvement in the standard of living of the ordinary person. Unless these trends can be reversed, Vietnam is likely to become Southeast Asia's first 'rice bowl Communist state without rice.'"

# Vietnam: Beleaguered Outpost of Socialism

BY CARLYLE A. THAYER

Lecturer in Southeast Asian Politics, Royal Military College, Duntroon, Australia

HE year 1980 marks the end of Vietnam's second 5-year plan.1 As key party and state officials complete their assessments of the last half decade and plan for the third 5-year plan and fifth National Party Congress, there is little ground for optimism. Five years ago, Vietnam's leaders were confident about the future. Although the problems of postwar rehabilitation and construction were enormous, they appeared to believe that the spirit and energy that had climaxed their campaign for national liberation and reunification could be turned inward toward economic transformation. In their view Vietnam, Southeast Asia's first outpost of socialism, could be developed in 20 years into a modern industrial state. Accordingly, Vietnam's second 5-year plan set ambitious goals, requiring massive foreign assistance.

The process of socialist transformation has proved intractable, even more difficult than defeating United States imperialism. In the course of the last half decade, Vietnam's plans for a quadrilateral balance of foreign assistance (from the Soviet Union, the United States, China and Western states/international lending agencies)<sup>2</sup> collapsed; and dependency on the Soviet Union and East Europe followed. As a result of a massive refugee outflow in 1978-1979 and Vietnam's invasion and occupation of Kampuchea, Vietnam stands condemned and diplomatically isolated. Western aid donors have curtailed their aid programs. China's punitive "lesson," a month-long invasion of northern Vietnam, has laid waste to the border provinces in the frontier region. The costs of rebuilding

that area, coupled with military mobilization and defense construction, are heavy. Natural disasters in 1980 severely damaged the rice crop.

One element has changed, however. Whereas in the immediate post-1975 period Vietnam's leaders blamed their problems primarily on the legacy of the war and on United States intervention, they are accepting some responsibility for miscalculating and underestimating their problems. Increasingly, the top leadership has admitted widespread inefficiency, corruption and mismanagement on the part of middle and lower level cadres. Nor have senior officials been immune.

In 1979, Vietnam's leadership was rocked by the defection to China of Hoang Van Hoan, a former member of the Politburo. In August of that year, reports filtered out (still officially unconfirmed) that four senior officials, including two senior generals suspected of pro-Chinese sympathies, had been placed under house arrest.3 Since then, the top leadership at the Politburo and Central Committee level has remained stable.4 Changes at lower levels, in contrast, have been startling. Since mid-1978, the Vietnam Communist party (VCP) has been undertaking wholesale dismissals of middle and lower ranking cadres from its ranks. This process intensified in 1979 and 1980, particularly after party general secretary Le Duan inaugurated a campaign to renew membership cards. In a speech commemorating the fiftieth anniversary of the VCP (February 2, 1980) he stated:

A number of our party members at present are not qualified. They have joined the party with wrong motives, seeking positions, pursuing personal interests and ambitions. Others began as good members, even with a good record of achievements; but due to slack self-training, they have degenerated, are guilty of misappropriation, bribery, maltreatment of the masses, and other grave offences. Such people, although making up only a small part of the party membership, have damaged the name of the party and harmed the relationship between the party and the people. The party, through mass movements, must detect and expel such elements without delay to keep itself pure. 5

According to one source, with access to East European diplomats stationed in Hanoi and to senior party officials, 50,000 party members were expelled in

<sup>&</sup>lt;sup>1</sup>Vietnam's first 5-year plan (1961-65) was launched prior to reunification.

<sup>&</sup>lt;sup>2</sup>Carlyle A. Thayer, "Viet Nam's External Relations," *Pacific Community*, vol. 9, no. 2 (January, 1978), p. 225.

<sup>&</sup>lt;sup>3</sup>Nayan Chanda, "A Massive Shock for Vietnam," Far Eastern Economic Review (FEER), August 10, 1979, pp. 89.

<sup>&</sup>lt;sup>4</sup>Reports that Tran Quoc Hoan has been dropped from the Politburo have not yet been confirmed; AFP dispatch from Hong Kong in English, 0440 GMT, March 26, 1980. Earlier it was reported that To Huu was raised from alternate to permanent membership in the Politburo; AFP dispatch from Hong Kong in English, 1606 GMT, March 19, 1980.

<sup>&</sup>lt;sup>5</sup>Le Duan, "The Party Faces New Tasks," Vietnam Courier vol. 16, no. 3 (March, 1980), p. 5.

1979.6 By the end of the campaign, about one-third of the VCP membership will have been dropped. Among this group, in addition to the categories mentioned by Le Duan, are those whose political leaning are suspect (i.e., "Maoists," who favor mass political activism over the present approaches to socialist reconstruction). At the same time the VCP is heavily engaged in a recruitment campaign to attract younger and more technically competent cadres. Reporting on the results of this program for the first quarter of 1980, Hanoi Radio stated that 70 percent of the new members were admitted from military party organizations and that 90 percent of the new recruits were aged 30 or younger.8 The latter is a significant figure, given the average age of 45 years for the VCP's present membership. The stress on youth and the military is aimed to attract technically competent individuals.

In the past, the VCP has not observed the letter of its constitution, which calls for party congresses every four years. The second party congress was held in 1951, the third, in 1960 and the fourth, in 1976. There are signs that the fifth party congress may be held on schedule in late 1981. Various provincial party congresses have taken place, a prerequisite for the national meeting. The fourth congress made provision for generational succession by adding new members to the Politburo and by greatly expanding the Central

<sup>6</sup>Bengt Albons, "New Generation Takes Over in Vietnam, Soviet Grip Ever Tighter," *Dagens Nyheter* (Stockholm), April 22, 1980, p. 8.

7 Ibid.

<sup>8</sup>Hanoi Radio Domestic Service in Vietnamese, 2300 GMT, May 5, 1980.

<sup>9</sup>Interview with Nguyen Van Quy, deputy secretary of the international affairs section of the Secretariat of the Central Committee of the Vietnam Communist party, Canberra, April 30, 1980.

<sup>10</sup>"Hien Phap Nuoc Cong Hoa Xa Hoi Chu Nghia Viet Nam" (Draft Constitution of the Socialist Republic of Viet Nam), *Nhan Dan*, no. 9197, August 15, 1980, pp. 1-3.

<sup>11</sup>Vietnam News Agency dispatch from Hanoi in English, 1643 GMT, February 7, 1980.

<sup>12</sup>Interview with Nguyen Van Quy, op. cit.; AFP dispatch from Hong Kong in English, 0440 GMT, March 26, 1980.

13Hoan's demotion is also linked to his failure to prevent the defection of Hoang Van Hoan and his handling of the Hoa exodus from Vietnam. See charges made by Tran Ngoc Chau in "Pointing the Finger at Hanoi," FEER, August 3, 1979, pp. 20-21; and Bruce Grant, The Boat People (Harmmondsworth: Penguin, 1979), pp. 108-112.

<sup>14</sup>See Voice of Democratic Kampuchea in Cambodian to Kampuchea, 2330 GMT, February 11, 1980; P. J. Honey, "The Seats of Power," Vietnam Quarterly Report no. 74, China News Analysis, April 25, 1980, pp. 3-4; "Government Reshuffle and Party Purges," Beijing Review, no. 7, February 18, 1980, pp. 12-13; and interview with Nguyen Ngoc Huy, Cambridge, Massachusetts, March 31, 1980.

<sup>15</sup>This article was completed on September 18, 1980.

<sup>16</sup>Interview with Tran Thi An, a member of the SRV National Assembly, Canberra, May 14, 1980; see also chapter VII, articles 95-100 in the draft constitution, *Nhan Dan*, August 15, 1980, *op. cit*.

Committee; only minor changes at this level are expected to occur at the fifth congress.

Changes in state positions have occurred in 1980, and a major realignment is expected when the present draft constitution, released for public discussion in August, 1979, 10 is ratified by Vietnam's National Assembly. During the first quarter of 1980, Vietnam witnessed the death of its 92-year-old President, Ton Duc Thang, and a massive government reshuffle. Thang's death had been expected for some time. Nguyen Huu Tho, former head of the National Front for the Liberation of South Vietnam, is now Acting President.

The ministerial reshuffle, announced in February, brought several significant changes. 11 Most dramatic was the appointment of Van Tien Dung, the commander of the 1975 Ho Chi Minh campaign, as Minister of National Defense, replacing Vo Nguyen Giap, the victor of Dien Bien Phu. Also of significance was the dismissal of Tran Quoc Hoan as Minister of the Interior, a post he had held for nearly three decades. As Interior Minister, Hoan was in charge of the security police and (as has since been revealed) helped to organize the departure of refugees from Vietnam. Officially Hoan was relieved of his post for "health reasons";12 it seems more probable that the former minister had failed to curb growing corruption in the Public Security Bureau which grew out of its involvement in the refugee exodus.13 Hoan was replaced by Pham Hung, a fellow Politburo member, with widespread experience in the south, a problem area for the VCP leadership.

Other changes included the posting of new ministers to the following positions: Foreign Affairs (Nguyen Co Thach), State Planning Commission (Nguyen Lam), Transport and Communication (Dinh Duc Thien) and Foreign Trade (Le Khac). Other less important changes were also announced. Several factors were behind this reshuffle: old age and ill health (Nguyen Duy Trinh), failure on the economic front (Le Thanh Nghi, Dang Viet Chau) and logistical problems associated with Vietnam's operations in Kampuchea (Phan Trong Tue).

Critics of Vietnam viewed the changes in party membership and the governmental reshuffle—the most extensive ever—as part of a process by which Le Daun, VCP General Secretary, is assuming absolute power through the creation of a police state, despotic rule and reliance on central Vietnamese cadres. 14 In the next few months, 15 Vietnam is likely to ratify a new state constitution, the draft of which proposes farreaching changes in the state structure. 16 Under the present 1959 constitution, three important offices are chosen by the National Assembly: the chairman of the Assembly's Standing Committee, the Office of the Premier, which oversees the Council of Ministers and reports to the Standing Committee, and the presiden-

cy to which the powerful National Defense Council (NDC) reports. Two of these offices are held by Politburo members: Truong Chinh (chairman of the Standing Committee) and Pham Van Dong (Premier). The late Ton Duc Thang, a Central Committe member, held the posts of President and chairman of the NDC.

Under the terms of the new draft constitution, 17 a new body, the State Council, would be created, to serve as the presidium of the Socialist Republic of Vietnam (SRV) as well as the standing committee of the National Assembly. Members of the Council of Ministers are prohibited from simultaneously serving on the State Council. The chairman of the State Council would also occupy the posts of Commander in Chief of the People's Armed Forces and chairman of the National Defense Council. The key question is whether or not Le Duan will become chairman of the State Council and thus combine the top party and state posts. Up to the present, Le Duan has been first among equals in the system of collective leadership bequeathed by Ho Chi Minh. The State Council, if written into the new constitution, as seems most likely, will certainly affect the relative standing of three Politburo members: Truong Chinh (chairman of the National Assembly's present Standing Committee), Pham Van Dong<sup>18</sup> (as Premier, head of the Council of Ministers) and Vo Nguyen Giap (a Vice Premier, who at present holds no portfolio).

The military continues to play an important role in

<sup>17</sup>The draft constitution is expected to be approved by the National Assembly sometime during the last quarter of 1980; interview with Tran Thi An, op. cit.

<sup>18</sup>According to Hoang Tung, "Pham Van Dong is old and is the longest-standing prime minister in the world"; this suggests Dong may step down. See Albons, "New Generation Takes Over in Vietnam," op. cit.

<sup>19</sup>According to the London-based Institute of Strategic Studies Vietnam's military ranks fifth in size of the world's armies; Margaret Jones dispatch from London in The Age, September 18, 1980.

<sup>20</sup>Decision no. 446, NQQH-16 of the SRV's National Assembly Standing Committee; Hanoi Radio Domestic Service in Vietnamese, 1400 GMT, March 5, 1979.

<sup>21</sup>AFP dispatch from Hong Kong in English, 0443 GMT, January 31, 1980. Man is director of the army's Political Directorate; Tan is deputy chief of staff.

<sup>22</sup>Carlyle A. Thayer, "Dilemmas of Development in Vietnam," Current History, December, 1978, pp. 223-224.

<sup>23</sup>The talks were resumed in New York on August 25,

1980; FEER, August 29, 1980, p. 9.

<sup>24</sup>Gough Whitlam, former Prime Minister of Australia, whose government was the first of the Western powers to recognize Vietnam of any country that had committed troops there, has detailed this policy which he terms "bloody-mindedness" in his graduation address to Deakin University reprinted in The Canberra Times, May 29, 1980.

<sup>25</sup>Quoted by Jean-Pierre Gallois, AFP dispatch from Hong Kong in English, 1302 GMT, April 19, 1980.

<sup>26</sup>AAP-AFP dispatch from Hanoi in The Canberra Times, August 3, 1980, which cites Dinh Gia Khanh, SRV deputy Minister for Water Conservancy.

Vietnamese society. 19 Not only is it heavily committed to providing defense against a possible second Chinese attack; it is also heavily committed to carrying out its "internationalist" duties in Laos and Kampuchea, where 40,000 and 180,000 troops, respectively, are now posted. In the wake of China's 1979 invasion, a presidential order decreed the general mobilization of Vietnamese society. According to the order,

all citizens in the age group determined by law must join the armed forces according to the Council of Ministers plan. All manpower, material resources and wealth must be mobilized to meet the needs of the national salvation resistance.20

Main force units have been redeployed to the north to meet the contingency of a second Chinese "lesson," and various defensive fortifications are being constructed, especially in coastal provinces. In early 1980 in a reflection of the military's increased importance, two generals were promoted: Chu Huy Man to Senior General (he is the fourth person to achieve this rank after Vo Nguyen Giap, Van Tien Dung and Hoang Van Thai) and Le Trong Tan to Lieutenant General.21 National defense has been linked with socialist construction as one of the two most important priorities facing the SRV.

#### **ECONOMIC PROBLEMS**

In 1976, when the VCP unveiled its second 5-year plan, optimistic targets were set in the expectation of receiving massive amounts of foreign assistance.<sup>22</sup> But the SRV has been singularly unsuccessful in this effort. Relations with the United States remain frozen and, despite the recent resumption of talks on normalization,<sup>23</sup> the United States is unlikely to provide massive development assistance. Chinese aid was terminated in 1978 as a result of Vietnam's treatment of its Chinese (or Hoa) minority, in the course of a campaign to end capitalist trade in the south. Aid from international lending agencies has been severely curtailed as a result of United States pressure, which has blocked assistance for Vietnam.24 In the wake of Vietnam's invasion of Kampuchea, funds from such donors as Japan, Sweden and Australia were either cut or suspended. Vietnam's beleaguered position was candidly admitted by Hoang Tung, editor of the party's newspaper Nhan Dan: "forces hostile to Vietnam have joined together to attack the stomach. No one wants to give us any more credits, or trade with us."25

As a result of severe natural calamities in 1977 and 1978, Vietnam experienced a shortfall of about 3 million tons of food. In mid-1980, typhoon "Joe" caused serious crop damage in northern Vietnam, flooding over 200,000 hectares of paddy fields.26 Over three million persons were affected, including an estimated 164,500 whose homes were destroyed. Natural disasters of this magnitude, the after-effects of Vietnam's wars with Kampuchea and China, plus Vietnam's isolation from non-Communist sources of assistance have increased the SRV's economic dependency on the Soviet Union and East Europe. As one semi-official report noted, this dependency has not been without its costs:

Vietnam feels that its future is closely bound to the powerful and steady development of the socialist countries' economies. It goes without saying that we have to do our best to fulfill the obligations CMEA [Council of Mutual Economic Assistance] membership imposes on us, too.<sup>27</sup>

As a member of CMEA, Vietnam has received assistance for several specific projects, including some abandoned by the People's Republic of China in 1978; these projects include a hydroelectric project on the Black River, the "Chinese" bridge in Hanoi, and a Hanoi rail link. Soviet wheat shipments have helped to meet food production shortfalls. According to one observer, however, even with CMEA assistance the SRV is unlikely to achieve more than two-thirds of its projected investment outlay of 30 billion dong under the current plan.<sup>28</sup>

In return for this assistance Vietnam provides chrome, rubber, meat, coffee, tea and foodstuffs. Cheap Vietnamese labor will probably be used to finish manufactured goods destined for Soviet and East European markets. Vietnam's imports from CMEA countries exceed its exports by about \$450 million a year.<sup>29</sup> In brief, CMEA membership has not yet borne the fruits for which the Vietnamese hoped.

The goals of Vietnam's second 5-year plan have been only two-thirds fulfilled. 30 In the important area of rice production, VCP planners set a target figure of 21 million tons by 1980. Production figures for 1979 reached only 13.7 million tons; a shortfall of 25 percent was expected in 1980 before typhoon "Joe" struck. The problem of agricultural production is

<sup>27</sup>H.N., "Vietnam and the Socialist Countries," Vietnam Courier, no. 2, February, 1980, p. 4.

<sup>28</sup>Frances Starner, "Blunder & Disaster: Measuring the Cost," Asiaweek, August 1, 1980, p. 22.

<sup>29</sup>Commonwealth of Australia, Department of Foreign Affairs, *Backgrounder*, no. 243, July 16, 1980, p. 3.

<sup>30</sup>Jean-Pierre Gallois interview with Hoang Tung; AFP dispatch from Hong Kong in English, 1302 GMT, April 19, 1980.

<sup>31</sup>"Ket Qua Dieu Tra So Dan Nuoc Ta" (Population Census Results), *Nhan Dan*, no. 9453, April 30, 1980, p. 1 and 4.

<sup>32</sup>Hanoi Radio Domestic Service in Vietnamese, 1300 GMT, May 25, 1980.

<sup>33</sup>Quan Doi Nhan Dan, September 11,1979.

<sup>34</sup>Jean-Pierre Gallois interview with Chau Tam Luan, a researcher with the Institute of Social Sciences; AFP dispatch from Paris in English, 2013 GMT, May 10, 1980.

<sup>35</sup>The resolution of the sixth plenum was broadcast in three parts: Hanoi Radio Domestic Service in Vietnamese, 1100 GMT, October 9, 1979; 1100 GMT, October 11, 1979; and 1100 GMT, October 12, 1979.

multifaceted, and serious problems have cropped up in such areas as population resettlement, managerial competency, agricultural collectivization and production incentives. Under the second 5-year plan, a projected 4 million-5 million persons were slated for resettlement. By mid-April, 1980, less than two million had actually been moved. According to census figures released in 1979,<sup>31</sup> Vietnam's urban population, who were being encouraged to return to their native villages or to migrate to new economic areas, decreased by only 1.4 percent. In southern Vietnam, the urban population decreased in the 1975-1979 period by only 4.4 percent. Meanwhile, population presssures continued to rise at a rate of 2.6 percent per annum.

A variety of interrelated programs, designed to encourage settlement in new economic areas and the formation of agricultural collectives in the south, have achieved only very modest results. As of May, 1980, in southern Vietnam, 50 percent of the total number of peasant families farming 36 percent of the total cultivable land were officially reported to be members of either cooperatives or producers' collectives.<sup>32</sup> The original objectives called for the completion of agricultural collectivization by 1980.

A variety of problems have hampered this program. According to the army newspaper:

redistribution of manpower has, however, been slow and hampered by many weaknesses, including failure to promptly decide on areas to receive new laborers, to define production guidelines, to work out necessary measures and policies and apply them in a well-coordinated manner, and to insure adequate material conditions for laborers to work.<sup>33</sup>

Later, officials admitted that coercion had been used in some instances to force peasant families into cooperatives in the south.<sup>34</sup>

Socialist construction in the south involved not only agricultural collectivization but the socialization of private production, trading and marketing as well. These areas were interrelated to the extent that the peasant appeared to need definite material incentives in order to increase productivity. Before the changes made in 1979, peasants were forced to pay a set agricultural tax and to meet quotas of rice for sale to the state. Restrictions were placed on the sale of excess production, including many check points (road blocks) that hampered the circulation of rice. As the availability of consumer goods declined, the peasants lost an incentive to produce.

The Central Committee's sixth plenum (September-October, 1979) reevaluated party policy on the production, sale and distribution of consumer items.<sup>35</sup> Non-state enterprises were encouraged to produce if they could demonstrate greater efficiency than state enterprises. Materials substitution was also encouraged in an effort to increase self-sufficiency and to

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increase the supply of handicraft items. Peasants were encouraged to use non-collectively owned land for their own benefit and to sell their rice surplus to the highest bidder. Certain taxes were eliminated and the road blocks were abolished altogether, thus encouraging the circulation of consumer goods and the distribution of rice. According to one Western eyewitness

By March [1980] these policy changes were having an effect, especially in the south. Indeed, people spoke of the economy "exploding" (bung ra). In Ho Chi Minh City, two thousand new enterprises sprung up in three months, producing metal goods, electrical fixtures, kitchenware, soap and cigarettes.<sup>36</sup>

Officially, VCP leaders deny that these changes are similar to Lenin's New Economic Policy.<sup>37</sup> One editorial summed up the situation in this way:

The resolutions of the 6th plenum of the party Central Committee are an important amendment to the general line set by the 4th party congress. As a whole, they correct an erroneous tendency to try and leap beyond the conditions of this initial period of transition to socialism: there has been a desire to bring all important sectors of the economy under state control and to fix unrealistic objectives with a view to achieving a speedy advance of the economy.<sup>38</sup>

#### FOREIGN RELATIONS

Any improvement in Vietnam's economic prospects is related not only to the development strategy to be outlined in the SRV's third 5-year plan but also to future probable developments in the area of foreign policy. At the heart of the matter lies Vietnam's beleaguered status, a condition occasioned by world reaction to Hanoi's invasion and occupation of Kampuchea. At present, the states making up the Association of Southeast Asian Nations (ASEAN), with the backing of China, Japan, the United States and Australia, have managed to deny legitimacy to the Vietnamese-supported Heng Samrin regime in Phnom Penh. A Western economic blockade (a United States trade embargo coupled with a decline in assistance from the International Monetary Fund IMF) and a political quarantine have been imposed on

<sup>36</sup>David Marr, "Vietnam's Economic Crossroads," Vietnam Today (Canberra), no. 13, April-June 1980, p. 7.

Vietnam and its Kampuchean ally in an effort to force Hanoi to accept a political settlement.

Meanwhile, China and Thailand have continued to maintain the vital life-support systems which keep alive the Pol Pot forces, the major armed group resisting Vietnam, by permitting arms, rice and other supplies to pass across the Thai border and by providing rest, recuperation and recruitment facilities to the guerrillas.

Unless the Kampuchean problem is quickly resolved, Vietnam must face the awful prospect of a protracted counterinsurgent war and increased dependence on the Soviet Union. The costs of Vietnam's expeditionary forces are currently being met by the Soviet Union to the tune of \$3 million per day. According to Hoang Tung, "arms and ammunition don't cost us a penny. Our Soviet friends supply all that."39 Nevertheless the SRV appears to be paying a price: granting Soviet access to air, naval and communications facilities at Cam Ranh Bay and in Da Nang. Vietnam must also bear the more direct cost of conscription, battlefield losses, declining service morale, increased desertions,40 and the maintenance of regular forces in the north to guard against a second Chinese invasion.

During the first half of 1980, it looked as if a settlement of the Kampuchean problem was in the making. The downfall of the hard-line anti-Communist Kriangsak government in Thailand and the emergence of General Prem as the new Thai strongman seemed to offer hopeful possibilities. Very quickly Indonesian and Malaysian leaders met and enunciated what has become known as the Kuantan Principle<sup>41</sup>—a declaration of hope that Vietnam could be freed from outside domination whether Chinese or Soviet. Malaysian officials opened a dialogue with Vietnam by dispatching Foreign Minister Rithaudeen to Hanoi in January.

For reasons that are still unclear, a settlement did not eventuate. Chinese diplomacy may have carried the day. The coterie of military officials that backed the Prem government in Thailand may have balked at the outlines of a settlement favorable to Hanoi. Or the Vietnamese may have overplayed their hand by trying too hard to capitalize on inter-ASEAN disagreement. What is clear is that developments favorable to a political solution were quickly halted as a result of a Thai program to repatriate refugees to Kampuchea. Included in this program of voluntary returnees were supporters of Pol Pot, who were welcomed by Democratic Kampuchean authorities on their return.

(Continued on page 196)

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<sup>&</sup>lt;sup>37</sup>Jean-Pierre Gallois interview with Hoang Tung; AFP dispatch from Hong Kong in English, 1302 GMT, April 19, 1980.

<sup>&</sup>lt;sup>38"</sup>Our Monthly Comment," Vietnam Courier, no. 3, March 1980, p. 1.

<sup>&</sup>lt;sup>39</sup>Jean-Pierre Gallois interview with Hoang Tung; AFP dispatch from Hong Kong in English, 1302 GMT, April 19, 1980.

<sup>&</sup>lt;sup>40</sup>John McBeth, "The Problems of a New Role," FEER, July 11, 1980, pp. 17-18.

<sup>&</sup>lt;sup>41</sup>AFP dispatch from Hong Kong in English, 0459 GMT, March 27, 1980 and Kuala Lumpur International Service in English, 0630 GMT, March 27, 1980.

"At this writing, it is clear that Hanoi has no intention of leaving Kampuchea and is attempting to divert attention from its military presence to the dangerous situation along the Thai-Cambodian border. If the border can be demilitarized on the Thai side, Vietnam will have achieved a major victory, reducing outside support to its Khmer Rouge nemesis."

# Kampuchea: Pawn in a Political Chess Match

BY SHELDON W. SIMON

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N 1980, Vietnamese military occupation, famine, guerrilla warfare, population upheaval, and political maneuvering by regional and global powers raged around and through the hapless country of Kampuchea (Cambodia). Historically a buffer between the Thai and Vietnamese empires, Cambodia's fragile neutrality collapsed when the country was sucked into the maelstrom of the Second Indochina War by the Vietnamese Communists and the United States, then "liberated" by the barbarous Khmer Rouge, who systematically executed everyone who had been "tainted" by Western education or urban life.

Between 1975 and 1978, Kampuchea was reduced to medieval barbarism, only to be "rescued" by Vietnamese forces in January, 1979. In the last two years, under the Vietnamese-supported puppet government of Heng Samrin, Kampuchea has virtually ceased to exist as an independent political entity. It has become a Vietnamese colony, one of the three components in Hanoi's long-coveted Indochina federation: Vietnam, Laos and Kampuchea.

Hanoi's dominance in Indochina was the logical extension of its victory against Saigon and the Americans in 1975; it might have been accepted by the non-Communist states of the region (epitomized by the five ASEAN\* countries) had Beijing not perceived Vietnam's dominance to be an entering wedge for the Soviet encirclement of the People's Republic of China. Close ties between Hanoi and Moscow insured China's opposition to Vietnam's control of Laos and Kampuchea, led to China's support for the Khmer Rouge, and set Beijing and Hanoi on a collision course.<sup>1</sup>

For the past two years, Hanoi has tried to establish a Khmer-run administration under Vietnam's aegis in Kampuchea and, with Soviet assistance, to restore some semblance of order there. China, in contrast, has worked to keep the Khmer Rouge resistance alive along the Thai border in order to harass the Phnom Penh and Hanoi authorities, to obstruct any return to

'See the analysis in Sheldon W. Simon, "China, Vietnam, and ASEAN: The Politics of Polarization," *Asian Survey*, December, 1979.

normalcy. Cambodia's surviving five million plus people are caught in this proxy conflict, pawns to the Chinese and Vietnamese knights. With the passage of time, Vietnam's occupation of Kampuchea has become increasingly embarrassing to Hanoi. As the likelihood of a Vietnamese military withdrawal from Kampuchea recedes, the imperialistic nature of the relationship becomes ever more apparent; and regional opposition solidifies. Parallels with the Soviet occupation of Afghanistan are now drawn not only by China but also by ASEAN.

#### THE GOVERNMENT AND ITS VIETNAMESE BACKERS.

Vietnamese "advisers" to Phnom Penh reach down to the village level. In part, this heavy overlay of Vietnamese bureaucracy serves to insure Hanoi's control of local developments and functions as a countrywide intelligence apparatus to monitor political opposition. It can call in some of the 200,000 soldiers (the Vietnam People's Army, VPA) stationed in Kampuchea when necessary. But Vietnamese personnel also man the technical and administrative posts that run the country on a daily basis, since the virtual elimination of skilled personnel was a legacy of the Khmer Rouge years. According to figures released in Phnom Penh, the country had 1,200 engineers in 1975, but only 20 remain. Of 21,000 teachers, about 3,000 have survived. And instead of some 500, only 54 physicians practice in Kampuchea today. The Khmer Rouge also incapacitated the few factories in Phnom Penh by taking machine tools and spare parts with them when they fled in 1975.

Hanoi is gradually restoring Kampuchea's economic life. In the spring of 1980, money came back into circulation, and banks were reopened. But trade in the western part of the country near Thailand was still carried on through barter, Thai currency, and gold.

In education, the Phnom Penh regime claims that more than 13,000 classes have been convened at the elementary level, along with four secondary schools and a college of medicine. Special courses have also been publicized in the media, including short courses in financial administration for new cadres who will be dispersed to the provinces and villages to represent the

central government now that currency has been reintroduced as a medium of exchange and accounting.<sup>2</sup>

The media also report that 3 hospitals are operating in Phnom Penh and 18 in the provinces, and that 576 smaller medical units have been opened in districts, communes and villages. Nevertheless, Cambodian health officers admit that most of the people suffer from diseases caused by malnutrition and that more deaths than births are being registered in the region surrounding the capital.<sup>3</sup>

One indication of the permanence of Vietnam's presence in the country is the Vietnamese language courses being given for cadres of several ministries in Phnom Penh. Graduates will serve as liaison officers for Vietnamese advisers. By midsummer, 1980, 68 people had completed the course and had been assigned. Vietnamese officials recognize, however, that the longer the 200,000 Vietnamese soldiers remain in Kampuchea the stronger the resentment against Vietnam will become.

Vietnamese leaders say that their troops remain on Cambodian soil because of China's continuing aid to the Khmer Rouge operating from Thai sanctuaries. Apparently, an essential precondition for Vietnamese withdrawal from Cambodia is an overall settlement with China; China is maintaining the Khmer Rouge.<sup>4</sup>

The neutralization of Kampuchea and its reestablishment as a buffer between Thailand and Vietnam has been totally rejected by Hanoi. In effect, Vietnam wants ASEAN to accept a Laos-type situation for Kampuchea, with a government friendly to Hanoi protected by Vietnamese troops.<sup>5</sup>

Presumably, a quid pro quo could be arranged whereby Vietnam would withdraw its forces from the Thai border region and the Thais would halt Chinese supplies and limit the sanctuaries for Khmer Rouge forces. But as long as the Chinese threat remains, Vietnamese troops will be stationed on the soil of their neighbors. Hanoi will not discuss Kampuchea in isolation from the rest of Indochina. If a zone of peace

and stability is to be realized in Southeast Asia, it can come about only with ASEAN's acceptance of the "present realities."

Vietnam's administration of Kampuchea is being bankrolled by the Soviet Union. In addition to an estimated \$3 million per day in direct assistance to Hanoi, in 1980 Moscow planned to provide an additional \$134 million in aid to Kampuchea, including food, petroleum, textiles, trucks, bicycles and pharmaceuticals.<sup>7</sup>

#### THE KHMER ROUGE

The Khmer Rouge have been confined for the most part to guerrilla redoubts in the Elephant and Cardomon Mountains of western Cambodia and to refugee enclaves along the Thai border. Nonetheless, their "Democratic Kampuchea" retained Cambodia's seat in the United Nations and the diplomatic recognition of most states. Only the Soviet bloc and India had established formal ties with the Heng Samrin regime by the autumn of 1980. Lack of recognition for the Phnom Penh regime did not mean support for the Khmer Rouge, however, who are universally viewed with distaste for the atrocities they committed in Kampuchea between 1975 and 1978.

The Khmer Rouge are operating once again as a guerrilla force; and there is no indication that Vietnam can eliminate them. One United States government expert estimated that the Khmer Rouge sustain more than 30,000 fighters, some of whom operate as far afield as the northeast and around Lake Tonle Sap, ambushing Vietnamese supply lines and blowing up trains. Despite the atrocities committed under its aegis, the party continues to recruit guerrilla fighters who operate on the basis of local targets of opportunity. The Heng Samrin government has acknowledged the activities of Khmer Rouge agents in its midst and has used carrot-and-stick tactics to root them out, apparently with only minimal success.

In an attempt to broaden its domestic support base and to improve its international image, the Khmer Rouge leadership replaced Pol Pot with Khieu Samphan as Prime Minister in exile in late December, 1979. At the same time it scrapped its socialist constitution, paving the way for the participation of all anti-Vietnamese groups who wanted to join a united front. The Khmer Rouge "government" offered to include representatives of non-Communist resistance fighters in a new program of Great National and Democratic Union. There is little evidence, however, that this Khmer Rouge offer has been accepted; other resistance groups maintain their independence. And, indeed, many refugee camps along the Thai border have become hotbeds of internecine strife for control of the lucrative cross-border international assistance programs.

While Pol Pot was retained in the Khmer Rouge

<sup>&</sup>lt;sup>2</sup>Phnom Penh Radio, May 21, 1980, in Foreign Broadcast Information Service (FBIS), *Daily Report Asia/Pacific*, May 23, 1980, p. H4, and Kampuchea's news agency, *SPK*, August 6, 1980, in FBIS, *Daily Report Asia/Pacific*, August 11, 1980, p. H7.

<sup>&</sup>lt;sup>3</sup>Agence France Presse, AFP (Hong Kong), July 14, 1980, in FBIS, Daily Report Asia/Pacific, July 16, 1980, pp. H4-H5. <sup>4</sup>L'Humanité (Paris), January 10, 1980.

<sup>&</sup>lt;sup>5</sup>AFP (Hong Kong), May 21, 1980, in FBIS, Daily Report

Asia/Pacific, May 22, 1980, p. J2.

6Nayan Chanda, "The Making of a Bloc," Far Eastern

Economic Review (FEER), May 30, 1980, p. 17.

<sup>7</sup>Tass, May 13, 1980, in FBIS, Daily Report, Soviet Union, May 13, 1980, p. CC7.

<sup>&</sup>lt;sup>8</sup>See the analysis by Stephen Webbe, "Who is Pol Pot?" Christian Science Monitor, December 5, 1979, pp. B2-B26.

<sup>&</sup>lt;sup>9</sup>PRK Interior Ministry Memorandum broadcast by Phnom Penh Radio, December 1, 1979, in FBIS, *Daily Report Asia/Pacific*, December 3, 1979, p. H5.

leadership as Minister of Defense, Khieu Samphan began a campaign to make the image of the party more acceptable. Once Vietnam is defeated, he holds out the prospect of United Nations-supervised free elections to determine how Kampuchea would be governed. Moreover, he has offered to reestablish friendly relations with the Vietnamese once they withdraw.

#### CONFLICT ON THE THAI BORDER

The inevitable collision between Thailand's policy of providing sanctuary and supplies to Khmer Rouge forces through the border refugee centers and Vietnam's efforts to drive the guerrillas out of Cambodia permanently occurred in late June, 1980. It began with a Thai announcement on June 10 that, under United Nations regulations for refugees, Bangkok had decided to repatriate any of the 174,000 Cambodians in Thailand who wished to return. United Nations officials would insure that the repatriation was voluntary. Vietnam interpreted this announcement to mean that the Khmer Rouge were about to receive a major personnel infusion, since it was clear that the repatriation would take place through Khmer Rouge-controlled areas of the border. And, indeed, on June 22 Khieu Samphan's radio reported the arrival of a group of these repatriates in one of its camps. 12

On June 23 and 24, Vietnamese forces attacked two major border camps that straddled Cambodia and Thailand, violating a promise it had made only weeks before that its army would not cross into Thailand. Vietnamese officials downplayed the incident by denying they had crossed into Thailand, although Foreign Minister Thach, in Bangkok at the time, admitted that the border was "ill defined." From Vietnam's perspective, the assault was designed (a) to demonstrate to Thailand that the border refugee camps would not be regarded as safe havens so long as Khmer Rouge and other anti-Communist Cambodians used them as recruitment and supply centers; (b) to react in the strongest possible manner against Thai complicity in the repatriation of refugees to

<sup>10</sup>Khieu Samphan interview in *Xinhua* (Beijing), December 29, 1979, in FBIS, *Daily Report People's Republic of China*, December 31, 1979, p. E1.

Khmer Rouge areas where some 8,700 had been returned in the week-old program; and (c) to break up the large holding centers on the border, forcing an estimated 100,000 refugees into Thailand, further increasing the Thai burden of caring for and controlling this large population of "illegal immigrants." In effect, Vietnam was showing Thailand that it could force even larger numbers of refugees from the Khmer side of the border to escape to Thailand if the Thais continued their repatriation program.

The Vietnamese followed their military incursion with a diplomatic initiative, growing out of an Indochinese foreign ministers' conference in Vientiane in mid-July. Repeating earlier calls for a nonaggression treaty between the Indochinese states and Thailand and for neutrality pacts with the other members of ASEAN, Hanoi sought to divert attention from its border raid and its continuing occupation of Kampuchea by asking for the establishment of a demilitarized zone along the Thai-Kampuchean border; the removal of refugee camps from the border and their relocation into the Thai interior along with disarming the Khmer Rouge; and the cessation of aid to Khmer Rouge forces under the guise of feeding refugees. This last demand was stated independently by international relief agencies operating on the border, which also asked Thailand to make an effort to separate combatants from civilians.13

Hanoi held out a carrot to international relief agencies operating along the Thai border by suddenly eliminating the red tape which obstructed relief supply efforts through Phnom Penh. Immediately after the Vietnamese incursion into Thailand, relief officials reported that Phnom Penh moved 50,000 tons of relief goods in the month of July, 1980. This is roughly equivalent to the total amount the Heng Samrin regime had absorbed in the first six months of that year.<sup>14</sup>

Inevitably, the provision of international relief was interwoven with the question of who controls Kampuchea, subordinating humanitarian concerns to politics. Phnom Penh authorities have opposed the landbridge relief operations across the Thai border into western Cambodia because the Vietnamese are unable to determine the recipients of aid in those areas. Land-bridge relief has gone to Khmer Rouge guerrillas as well as to peasant farmers and villagers. Moreover, the availablity of food at the Thai border has drawn many farmers away from their land. Instead of using their draft animals to prepare for the next crop, they hitched them to carts to obtain relief supplies, thus exacerbating the problem of continued dependence on outside aid. It is estimated that between 500,000 and 700,000 Khmers have moved to the border regions, attracted by the promise of secure food supplies. 15

Officials in Phnom Penh attribute their own lack-

<sup>&</sup>lt;sup>11</sup>Khieu Samphan address as carried by the Voice of Democratic Kampuchea (probably operating from China), March 9, 1980, in FBIS, *Daily Report Asia/Pacific*, March 10, 1980, p. H8.

<sup>&</sup>lt;sup>12</sup>Voice of Democratic Kampuchea (VODK), June 22, 1980, in FBIS, *Daily Report Asia/Pacific*, June 26, 1980, pp. H2-H3.

<sup>&</sup>lt;sup>13</sup>See the discussion of the Indochinese proposals to Thailand in Nayan Chanda, "The Ball Is Back in Bangkok's Court, " *FEER*, July 25, 1980, p. 8.

<sup>&</sup>lt;sup>14</sup>Richard Nations, "Hungry Thousands Face a New Political Threat," *FEER*, July 25, 1980, p. 12.

<sup>&</sup>lt;sup>15</sup>Nations, "Battle for the Hearts and Stomachs," in *ibid.*, December 7, 1979, p. 14.

luster agricultural performance to the effects of Pol Pot's disruption. Because the Khmer Rouge uprooted people, moved them away from their native areas and destroyed the tools of production before 1979, the first year of liberation was spent returning people to their villages and obtaining new tools and seed rice from Vietnam and other "friendly states." Over 300,000 tons of aid from Vietnam and the Soviet Union were reportedly delivered to Phnom Penh in 1979, including some 600 trucks. Foreign Minister Hun Sen predicted that as a result Kampuchea would cultivate nearly one million hectares of rice in 1980.16 By early 1980, however, only half that amount had been planted; according to official figures; and that represented less than 25 percent of the land cultivated in the late 1960's before the war thoroughly disrupted production.17

To encourage rice production, Phnom Penh promised that there would be no agricultural taxes or forced collection by the state in 1980. All local produce could be consumed in the villages, provided enough was saved for seed rice.18 This meant that the cities would have to be fed through international aid. In fact, international aid was feeding virtually the whole western part of Kampuchea from the Thai border beginning in December, 1979, when the Red Cross began to distribute 30 kilos of rice per family to whomever came to the distribution points. Some 4,000 Khmer villagers arrived every day to collect the rice and return to their villages, with the tacit acquiescence of the Vietnamese, who could not supply the food themselves. United Nations officials estimated that the late 1979 harvest only produced onefifth of what the country grew in normal times. The most optimistic estimates for 1980 predicted that 60

<sup>16</sup>Lecture by Foreign Minister Hun Sen to the National Education Ministry Congress, Phnom Penh Radio, December 17, 1979, in FBIS, *Daily Report Asia/Pacific*, December 26, 1979, p. H10.

<sup>17</sup>FEER, January 4, 1980, p. 11.

<sup>18</sup>Phnom Penh International Service in Vietnamese, January 16, 1980, in FBIS, *Daily Report Asia/Pacific*, January 22, 1980, p. H3.

<sup>19</sup>Nations, "Salvation in the Black Market," FEER, January 18, 1980, p. 21; and Henry Kamm, "World Food Council Seeks Cambodia Aid," The New York Times, February 26, 1980.

<sup>20</sup>Nayan Chanda, "Back into the Shadow of Starvation," *FEER*, March 28, 1980, pp. 8-9; and *AFP* (Hong Kong), July 23, 1980, in FBIS, *Daily Report Asia/Pacific*, July 23, 1980, pp. H1-H2.

<sup>21</sup>Address by Assistant Secretary of State Richard Holbrooke to the Council on Foreign Relations, New York City, April 2, 1980, as published by the U.S. Department of State, Bureau of Public Affairs, Current Policy Series, no. 156; *The New York Times*, April 10, 1980, p. A6; and Henry Kamm, "Phnom Penh: A Ghost Town Coming to Life," *ibid.*, April 29, 1980.

<sup>22</sup>See the discussion in William Shawcross, "The End of Cambodia?" New York Review of Books, January 24, 1980, pp. 26-28

percent of the land cultivated in 1969 would be back in production.<sup>19</sup>

Vietnam remains suspicious of foreign help in Kampuchea and has limited international observers from aid agencies to less than 30 in the capital. Only in January, 1980, did the government permit foreign medical personnel to enter the country, from Cuba and the Soviet Union.

The transportation of relief goods remains a major bottleneck. Both Western and Soviet aid officials underestimated the number of trucks needed to move relief supplies out of the capital and into the countryside. That situation was apparently rectified by the late summer of 1980, when some 1,500 trucks were given to the Phnom Penh government. Nevertheless, the road system is in abominable condition after a decade of neglect. Bridges have been destroyed; and because of continuing guerrilla warfare, no highway is safe after dark. In effect, the security situation halves transport capabilities. Moreover, the trucks have been used to supply provincial capitals, and little relief appears to reach outlying villagers.<sup>20</sup>

The United States government has accused the Vietnamese of "selective starvation" because they refuse to permit convoys of aid trucks to cross into Kampuchea from Thailand and because they use the rice delivered by boat to Kompong Som and Phnom Penh to feed only officials and city dwellers. In effect, food relief is being used as salary for civil servants. The only known worth of the new Cambodian currency (the riel) is that it will buy a kilo of rice in stores where only civil servants are allowed to shop. Other transactions occur in the ubiquitous black markets, which have appeared in the major cities as well as in villages near the Thai border. Consumer goods and relief foods are resold there in Vietnamese dong, measures of gold, and kilograms of rice.<sup>21</sup>

Nevertheless, by the autumn of 1979, the desperate food situation, which had led to open starvation, forced a compromise. Hanoi dropped its demand that the agencies stop sending supplies across the Thai border; and the agencies, in turn, stopped insisting on close observation of what happened to their aid to Phnom Penh. Pragmatism helped to reduce the proportions of a major tragedy.<sup>22</sup>

Smaller relief organizations were not given similar freedom to operate, however. Oxfam, for example, had to conduct all its business through the Kampuchean Ministries of Foreign Affairs, Health, Economy, and Agriculture. In order to retain their access, moreover, Oxfam spokesmen were compelled to issue sycophantic statements about the effectiveness of aid distribution at a time when less engaged observers were reporting bottlenecks and political obstacles. Indeed, in January, 1980, World Food Program officials announced the suspension of their shipments until Kampuchean authorities distributed the sup-

plies already in the warehouses of Phnom Penh and Kompong Som.

While undernourishment continued in Kampuchea through 1980, the specter of mass starvation which existed in late 1979 seems to have disappeared for the time being, because of a combination of massive relief operations and new rice planting. Once the immediate danger of starvation was lifted, however, Hanoi and Phnom Penh again began to pressure international relief agencies to halt the supplies crossing the Thai border, which had been feeding nearly 120,000 Khmers a week in the spring of 1980.23 This pressure was particularly cynical since it was apparent to all observers that in 1980 western Cambodian provinces would plant and harvest only a fraction of their cultivable acreage. In Battambang, Kampuchea's rice granary, the official responsible for agricultural machinery lamented that while there were 1,000 tractors in the province before 1975, there were only 70 operating in 1980; and these were old and subject to breakdown.24 Kampuchea's food aid needs in late 1980 will probably be nearly as great as they were in 1979. The question is whether Hanoi will permit the pragmatic arrangement of the past to continue. As the rice supply dwindles, diplomatic sources say they expect another massive movement of Khmers from the central provinces to the Thai border.25

In late June, Hanoi attacked the refugee camps in the border region and insisted that future aid would be tolerated only if civilians were distinguished from combatants. UNICEF, the World Food Program and the Red Cross all hastened to comply. Thailand, for its part, threatened to retaliate by banning all aid supplies that went via Bangkok to Phnom Penh.

The Vietnamese attack on the Thai border camps also succeeded in breaking up the black markets that had been flooding Kampuchea with consumer goods from Thailand. Phnom Penh authorities explained that the trade had to be halted because it diverted labor from the rice fields during the crucial late summer planting season. Black markets also created a whole new "capitalist" sector.

At bottom, the thousands of refugees attracted to the Thai-Kampuchean border are very useful politically to the anti-Vietnamese camp. They constitute both a "human buffer" and a cover for building up armed resistance against the consolidation of Heng Samrin's government. Although the refugees have been used by Thailand, the United States and ASEAN for political ends, this should not hide the fact

that international aid may have saved almost one million people from starvation. Thailand is concerned that the Red Cross and UNICEF decisions not to supply Khmer Rouge strongholds south of Aranyaprathet because civilians cannot be distinguished from combatants may be the opening wedge in a Hanoi-initiated campaign to deny aid to over 100,000 civilians located in areas under Khmer Rouge control. The denial of food could draw disaffected Khmers back into the Cambodian interior under Phnom Penh's control, especially if the relief performance from the capital improves. While the relief effort is funded primarily by the United States, which opposes Vietnamese control of Kampuchea, it is coordinated by the United Nations, where Soviet influence protects Vietnamese interests.

#### THE STRANGE ALLIANCE

Opposition to Vietnam's occupation of Cambodia has led to a strange coalition; Washington, Beijing and Bangkok are all backing the reprehensible Khmer Rouge, at least for the time being. China maintains that if it supports Khmer Rouge guerrillas and maintains military pressure on Vietnam's northern border, eventually Hanoi and Moscow will find it too costly to continue the Vietnamese occupation of Kampuchea. Even if Hanoi chooses to maintain its control of Kampuchea through a protracted guerrilla war, its own long-term viability will be weakened.

Thailand's situation is more complex. Vietnam's occupation of Cambodia removed the traditional buffer between the two traditional enemies, confronting a small, ill-experienced Thai army with the best-trained fighting force in Asia. Moreover, as long as Thailand accepts Cambodians fleeing the Vietnamese occupation, Hanoi is confronted with a potential Palestinian situation, in which the refugees may become future guerrilla fighters. This would exacerbate Vietnamese-Thai hostility. Given this situation, Thailand's desire for political support and military aid is hardly surprising. Bangkok's ASEAN partners have responded because of association solidarity.

China openly supports the return of the Khmer Rouge to power. But Washington and the ASEAN states are uncomfortable with that prospect. United States Assistant Secretary of State Richard Holbrooke has stated that the United States seeks

the replacement of the puppet regime of Heng Samrin with a nonaligned government responsive to the will of the Kampuchean people and at peace with its neighbors. Who should be its leader is not for the United States to say.<sup>26</sup>

(Continued on page 194)

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<sup>&</sup>lt;sup>23</sup>John McBeth, "Kampuchea: The Seeds of Survival," FEER, May 2, 1980, pp. 22-24.

<sup>&</sup>lt;sup>24</sup>Le Monde (Paris), May 28, 1980.

<sup>&</sup>lt;sup>25</sup>John McBeth, "Bridging a Crucial Food Gap," FEER, June 6, 1980, pp. 18-20.

<sup>&</sup>lt;sup>26</sup>Holbrooke, op. cit.

"The United States and Laos have maintained diplomatic relations throughout the upheavals of the past five years, although not without frustration and irritation on both sides. . . . Over the past few years, the United States has adopted a relatively more flexible approach to Laos than to the other two countries of Indochina."

# "Socialist Transformation" in Laos

#### BY MURRAY HIEBERT

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shooting incident on the Mekong River in mid-June, 1980, finally plunged Laos into the throes of the most recent Indochina conflict; 18 months of carefully nurtured rapprochement between Thailand and Laos crumbled overnight. Thailand sealed its 1,200-kilometer border with Laos, while China and Vietnam joined the ensuing propaganda war. Relations between China and Laos entered another spiral of sharp decline; and the ties of "militant solidarity" between Laos and its two Indochinese neighbors grew stronger.

Bangkok's economic blockade of landlocked Laos quickly created shortages and rising prices in the cities along the Mekong. Only seven months earlier, Vientiane had introduced sweeping economic reforms, dismantling many of its earlier socialist policies. One of the government's new economic planks sought to stimulate economic growth through relaxing the flow of consumer goods from Thailand. Although Bangkok reopened two border points in late August, the disrupted Lao economy will take months to recover.

Facing serious economic malaise since the founding of the Lao People's Democratic Republic in December, 1975, late in 1979 Lao leaders initiated wideranging reforms to promote economic development. In explaining the reforms in a five-hour speech in December, 1979, the secretary general of the Lao People's Revolutionary party, Kaysone Phomvihane, described specific past policies as "inappropriate," "stupid," and "suicidal." Sweeping reforms in currency, salaries, prices, trade and management were intended to check the falling standard of living and the spiraling inflation and to stimulate a new atmosphere of confidence and increased productivity.

While the government has increasingly admitted its mistakes, not all of Laos's economic woes are caused by the policies of its new leaders. They inherited a precarious economy with a per capita annual income of only \$90. Laos is landlocked, mountainous, and sparsely populated. Thirty years of war displaced nearly one-fourth of its three million people, disrupted

<sup>1</sup>Vientiane Domestic Sérvice, December 26 and 27, 1979, Foreign Broadcast Information Service (FBIS), January 18 and February 8, 1980.

agricultural production, and damaged its already weak transport system. Laos became a food-deficit country, largely dependent on Western aid for its survival.

When the Communists came to power, the United States abruptly terminated its aid programs. In late 1975-early 1976, and again in 1977, Thailand imposed an economic blockade, creating further shortages of raw materials, spare parts, fuel and consumer goods. Natural calamities—drought in 1976 and 1977, and floods in 1978—hampered agricultural recovery and caused critical food shortages. Thousands of skilled workers and experienced administrators joined the hemorrhage of refugees, while between 10,000 and 15,000 remained in "reeducation centers," creating a dearth of competent cadre.

Despite Lao claims that land cultivation increased some 20 percent in 1979, official figures suggest that the 1979 rice harvest rose only some 6,430 tons (about 1 percent) over 1978, when the country faced serious flooding. The United Nations estimates that Laos will need to import about 63,000 tons of rice this year, compared with 100,000 tons or more in recent years.

In the tiny industrial sector, Premier Kaysone noted in his December speech, less than half the available equipment was in production. Vientiane also faces critical foreign exchange problems. Western economic experts estimate that Laos will export between \$40 million and \$50 million worth of goods this year (about \$8 million in the form of electricity to Thailand), while importing between \$120 million and \$140 million worth, including commodity and project aid.

In an effort to overcome economic stagnation, the party's central committee instituted sweeping economic reforms in December, 1979. Surprisingly, previous efforts to clamp down on private involvement in trade and industry were reversed. "The capitalist economy is still useful to production and social life. Therefore we must still use it," Premier Kaysone said, in discussing Laos's transition to socialism. In one of his hardest critiques of past policy, Kaysone said, "It is inappropriate, indeed stupid, for any party to implement a policy forbidding the people to exchange goods or to carry out trading. The implementation of

such a policy is suicidal." Under government license, private merchants are now allowed to trade freely with Thailand (except for a few exports like timber and coffee), and until the border was closed in early July, the markets of Vientiane and other border towns were once again filled with consumer goods.

Another effort to stabilize the economy and stimulate exports was the surprise currency reform of December 10. The "liberation" kip was replaced by the "bank" kip at the rate of 1 new kip for 100 old, and the official exchange rate was set at the open market value—10 kip to the dollar—resulting in an effective devaluation of 60 percent. The money supply was also reduced by an estimated one-fifth. For several months, the official and open market exchange rates held even, but the rate of inflation rose gradually and the money supply was again increased to meet government budgetary deficits. By mid-August, during the Thai border blockade, the open market rate was up to 24 kip per dollar.

The currency reform was a government effort to stabilize the economy in preparation for launching Laos's first five-year plan in 1981, which will emphasize self-sufficiency in food and higher export earnings. Over the past few years, the International Monetary Fund (IMF), of which Laos continues to be a member, has urged Vientiane to ease internal trade and revamp its price structure to promote exports and increase domestic production.

Along with the monetary change, Vientiane increased government salaries by 170 percent. The pitifully low salary scales of the last few years often prompted government employees to leave the country or to engage in corruption. A new salary scale was introduced with cost of living allowances, and for the first time incentives for skilled labor and work efficiency were provided. Most of this salary increase, however, was offset by increases of 300 percent to 400 percent in the official market prices of basic commodities like rice. Low official selling prices in the past were possible only by means of large subsidies, which the government could ill afford.

To stimulate increased production, several sweeping reforms were also introduced in the agricultural sector. The official purchasing prices of rice, livestock, and other agricultural products were increased 400 to 500 percent, to a level more in line with prices in Thailand. Kaysone noted in December, 1979, that the previous price levels had often resulted in low productivity and smuggling across the Mekong. Restrictions on inter-province commerce, instituted earlier to stimulate local self-sufficiency, were abolished to promote free trade and the more equitable distribution of goods between urban and rural areas.

The Lao government also recognized the un-

popularity of the agricultural cooperativization and tax structure, which had prompted farmers, particularly from the southern panhandle, to flee to Thailand. According to official figures, some 2,800 cooperatives, including half the country's lowland peasants, had already been established by the turn of the year. "In some areas the peasants have been forced to enter cooperatives, thus leading to their indolence," Finance Minister Nouhak Phoumsovan said. "Such practices have been stopped." Kaysone hinted in his speech that the agricultural tax would be simplified and reduced from a previous ceiling of 30 percent; but these reforms were apparently postponed following the substantial price increases for farm products.

Despite this economic liberalization, Laos is not about to abandon socialism. Rather, as Kaysone told the country, it is trying to use "capitalist laws" to stimulate economic growth and "promote socialist transformation."

Although Laos faces serious problems today, its economic potential would be promising with proper management, substantial capital investment, and improvements in its transportation network. The World Bank estimates that Laos could be a net exporter of agricultural products by 1985. The country's vast forestry and mineral resources (including iron ore, tin, potash, coal, gypsum, and copper) and hydroelectric power potential have hardly been tapped. But whether Laos's recent economic reforms can stimulate domestic confidence, attract foreign investment, and promote economic growth is to a large extent dependent on the future of the continuing conflict in Indochina and Lao-Thai relations.

#### TROUBLE ON THE MEKONG

Lao hopes for a quick economic takeoff in 1980 were disrupted by a shooting incident along the Mekong River in June. What once would have been viewed as a minor problem along a frontier plagued by smugglers, insurgents, and refugees suddenly became a major confrontation between Laos and its Vietnamese ally, on one side, and Thailand and its Chinese backers on the other.

Vientiane claimed that on the night of June 14 its militia captured Thai robbers in a village along the river bank near the capital, killing one of them. The next day, when a Thai Navy patrol boat tried to rescue the body from the Lao bank, Lao soldiers opened fire, killing one Navy officer and injuring two.

Thailand maintained that its boat was shot in Thai territory without any provocation, closed two border points near the scene of the shooting, and demanded a Lao apology. Laos refused, claiming the boat had intruded into Lao territory. Initially, both sides downplayed the incident, but after Vietnam's June 23 strike at Khmer refugee camps inside Thailand, Thailand sealed its entire 1,200-kilometer border with Laos.

<sup>&</sup>lt;sup>2</sup>Interview with the Far Eastern Economic Review (FEER), March 7, 1980.

Several rounds of talks broke down in mutual recrimination, both sides began to define the conflict as part of a larger plot, and national pride on both sides began to dictate events that were not in the interests of either country.

Bangkok described the border incident as part of a larger Vietnamese effort to exert pressure on Thailand and linked the Mekong shooting to the Vietnamese incursion. A Thai Foreign Ministry statement said that "Laos's act has made it clearer in the eyes of the world whether or not Laos is independent. It is clear that Laos is dancing the steps dictated by those manipulating it," a clear reference to the Vietnamese. The purpose of the Thai border closure, a Bangkok newspaper candidly explained, is "to make Laos realize that it is more dependent on Thailand than on Vietnam. Although it is under the political domination of Vietnam, it cannot obtain economic relief from that country."

Laos, on the other hand, linked the conflict to the Thai repatriation of Khmer Rouge to Kampuchea in mid-June and blamed Chinese-influenced elements in the Thai government.

While the Beijing reactionary ruling clique is implementing its big-national expansionism, some Thai reactionaries have followed and served its dark designs [said a Vientiane Radio commentary]. They have provoked and encroached upon the territorial integrity of the Lao People's Democratic Republic, created tension along the Lao-Thai border, and sabotaged Lao-Thai relations of friendship.<sup>5</sup>

Rumors speculated that Laos would cut its electricity export to northeastern Thailand, but the power flow continued. Vientiane did, however, request a September meeting with Bangkok to review the price of electricity, which provides Laos with a major share of its foreign earnings.

Bangkok's objective in closing the border was twofold: to signal displeasure to Hanoi for its border strike, by forcing it to come to Laos's economic rescue; and to put pressure on Vientiane to rethink its close ties with Vietnam and realize the importance of friendly relations with Thailand. But the economic blockade brought no quick political results and hardened attitudes in Indochina. Finally, in late August, Thailand reopened two border points near Vientiane, citing humanitarian concern for the hardships suffered by the Lao people.

Before the June, 1979, border closing, both sides had made significant efforts to improve their relations. In January, 1979, in an effort to promote rapprochement with the Communist regimes in Indochina, Thai Prime Minister Kriangsak Chomanan visited Laos

only two weeks after a clash along the border in which a Thai gunboat was sunk. Kriangsak signed a communiqué with Premier Kaysone promising to turn the Mekong into a "river of genuine peace, friendship and mutual benefit" and Thailand granted Laos a \$5-million commodity loan. Although Thai-Vietnamese relations deteriorated after Vietnam's invasion of Kampuchea, ties between Laos and Thailand continued to improve. Lao and Thai provincial delegations exchanged visits, and during the first three months after Vientiane's economic reforms, Thai merchants traded some \$15 million worth of goods with Laos.

In April, 1979, Kaysone visited Bangkok, where another communiqué was signed in which both sides agreed to work together to curtail the activities of "terrorists who use the border areas as their sanctuary to operate and disrupt the peace of the population along their border." Vientiane expelled the pro-Chinese Communist party of Thailand (CPT) from guerrilla sanctuaries in Laos, a move predicated largely on China's deteriorating relations with Vietnam and Laos. Vientiane's propaganda increasingly blamed Beijing rather than Bangkok for instigating Laos's continuing insurgency problem. In the 1979-1980 border crisis, however, both Thailand and Laos stepped up mutual condemnation for supporting each other's rebels.6

The continuing flow of Lao refugees was another source of irritation between Bangkok and Vientiane. Since 1975, over 200,000 refugees (roughly seven percent of the Lao population) have fled to Thailand, and about half of them were still in camps in mid-1980. At the beginning of 1979, about 3,000 Lao refugees crossed the border every month, but this total jumped to 6,000-8,000 after the March, 1979, Sino-Vietnamese war. In June, Thailand turned back several hundred refugees, and the exodus again dropped to about 3,000 a month. Recent figures suggest a slight drop in lowland Lao refugees since the December economic reforms.

In interviews in Thailand last summer, urban and peasant lowland Lao cited primarily economic hardship and dissatisfaction with the government's social and economic policies as reasons for their flight. Hmong (Meo) refugees, on the other hand, referred to their failing resistance effort against the new authorities and government pressure to give up traditional highland slash-and-burn agriculture for lowland rice cultivation.

Over the last few years, Laos has charged Thailand with encouraging—or at least tolerating—guerrilla attacks from refugee camps along the Mekong. Local Thai authorities have frequently threatened forcibly to repatriate Lao refugees, but so far have only done so occasionally. Following the "river of peace" communiqué of 1979, Thailand and Laos signed an

<sup>3&</sup>quot;National Review," FBIS, July 21, 1980.

<sup>&</sup>lt;sup>4</sup>The Christian Science Monitor, August 27, 1980.

<sup>5</sup>FBIS, July 16, 1980.

<sup>6</sup>FEER, April 4, 1980.

agreement to repatriate refugees in cooperation with the United Nations High Commissioner for Refugees. Lao officials claim that 7,000 Lao refugees have returned home in recent years.

#### **RELATIONS WITH CHINA**

As the war of words between Laos and Thailand escalated in the summer of 1980, China joined, offering full support to Bangkok and a sharp rebuke to Vientiane. "The Vientiane authorities' obedience to orders from Hanoi has brought harm not only to their neighbors, but also to themselves," China's Xinhua news agency declared in July. The commentary mocked Laos for blindly following "the Vietnamese regional hegemonists, permitting them to station large numbers of troops, take control of its political, military, and diplomatic affairs and seize Laos's natural resources." Should Laos "continue to do services for Moscow and Hanoi and make provocations against neighboring countries," Xinhua warned, "it is bound to eat its own bitter fruit." In August, Beijing stepped up its pressure on Laos by repeatedly quoting Khmer Rouge radio broadcasts, which claimed that Lao National Liberation Front forces were attacking Vietnamese troops stationed in southern Laos.

Laos, meanwhile, was blaming China for the tension. A Lao radio commentary made the surprising claim that "more and more Chinese dressed in civilian clothes"—presumably military advisers—are arriving in Thailand and going to provinces bordering on Laos and Kampuchea.

Sino-Lao relations began to deteriorate in 1978, as Laos was increasingly caught up in China's conflict with Vietnam. But it was not until the February, 1979, Chinese invasion of northern Vietnam that Laos abandoned its efforts at neutrality and openly condemned Beijing. In March, following similar charges from Moscow and Hanoi, Vientiane issued a statement accusing China of massing troops on the Lao border and ordered Beijing to end its nearly two decades of road-building in northern Laos.

In September, Deputy Foreign Minister Khampai Boupha added to the list of Lao charges against China in his speech to the United Nations General Assembly. He accused Beijing of "infiltrating spies and bandits into Laos, causing disorder, hatching plots to divide the minority nationalities, and rallying Lao reactionaries in exile in a so-called 'socialist party.'" Since 1978, rumors have circulated in Vien-

tiane about Chinese aid to anti-government rebels, particularly to Hmong remnants of the army of General Vang Pao.\* In 1979, Lao officials claimed that China had sent a "Lanna division" of some 4,000 insurgents to northern Laos; more recently, Vientiane has expressed concern about the resettlement of over 1,000 disgruntled Lao refugees in Yunnan province near the Lao border. One of the reasons cited by the Lao for the currency reform of December, 1979, was fear of "sabotage" by China, which held the printing plates of the "liberation" kip and could circulate illegally printed money.<sup>11</sup>

The Lao decision to adopt a pro-Vietnam, anti-China policy in 1978 was the subject of at least some debate within the Lao People's Revolutionary party. In October, 1978, three months after party secretary general Kaysone first denounced the Chinese as "international reactionaries," President Souphanouvong told a restricted audience of government officials that rumors suggesting that "China would attack Vietnam and then Laos" are "very wicked and dangerous propaganda aimed at sowing bewilderment and anxiety among our people." This speech, it was later revealed, was published without official authorization by the editor of *Siang Pasason*, who defected to China in mid-1979.

It is widely assumed that besides Souphanouvong, Education Minister Phoumi Vongvichit and Foreign Minister Phoun Sipraseuth are not enthralled by Laos's strong tilt toward Vietnam. The differences in the seven-member Politburo, however, have not been serious enough to disrupt the unity of the leaders who have worked closely together (and with the Vietnamese) for over three decades.

#### "MILITANT SOLIDARITY"

Laos's "militant solidarity" with Vietnam is at the root of its current conflict with Thailand and China. But the catch-22 of the crisis is that Bangkok and Beijing explain their pressure on Laos in terms of opposition to its alliance with Hanoi, while Vientiane believes that its survival against hostile neighbors depends on an alliance with Vietnam.

Similarly, Vietnam defines its national security in terms of its smaller Lao and Kampuchean neighbors. In other words, Vietnam sees its stationing of troops in Laos and Kampuchea as a strategic necessity.

Laos, like Kampuchea, has long been the object of rivalry between Thailand and Vietnam; over the centuries, Laos was frequently divided into spheres of influence between its much stronger neighbors. Vientiane's current leaders link their ties to Hanoi to Ho Chi Minh's founding of the Indochinese Communist party (ICP) in 1930 and 30 years of "liberation struggle" against "French colonialism" and "American imperialism." Although the ICP was divided into three national parties in 1951, the parties were "unit-

<sup>\*</sup>Reportedly financed by the United States Central Intelligence Agency.

<sup>&</sup>lt;sup>7</sup>FBIS (People's Republic of China), July 21, 1980.

<sup>8</sup>FBIS, July 21, 1980.

<sup>9</sup>FBIS, July 22, 1980.

<sup>&</sup>lt;sup>10</sup>FBIS, October 9, 1979.

<sup>&</sup>lt;sup>11</sup>FBIS, December 17, 1979.

<sup>&</sup>lt;sup>12</sup>FBIS, October 18, 1978.

<sup>&</sup>lt;sup>13</sup>FEER, December 14, 1979.

ed as the children of one mother," Minister of Information Sisana Sisane said at a commemoration of Ho's birthday in Hanoi in May. 14 Vietnamese troops fought in Laos throughout the wars against France and the United States and are often credited by Lao leaders for helping them come to power.

The present "special relationship" between Laos and Vietnam culminated in the signing of a 25-year treaty of friendship and cooperation in July, 1977. The treaty provided the legal framework for the stationing of some 40,000 Vietnamese troops in Laos to assist with security as well as to build roads and irrigation systems. "The presence of the Vietnamese troops has been requested by the government of the Lao People's Democratic Republic in view of defending its independence and sovereignty," Siang Pasason argued. "The Vietnamese troops will withdraw from Laos as soon as the Lao government requests it, and when there is no menace from the outside." Responding to Chinese and Western charges that Vietnam is establishing Ho Chi Minh's earlier dream of a federation of states, the party daily declared that "the notion of the 'Indochinese federation' belongs to past history, just like that of French Indochina."

Regardless of how they define their relationship, Vietnam and Laos (as well as Kampuchea) are increasingly speaking as a bloc on foreign policy issues and coordinating their economic development plans. The three Indochinese foreign ministers met in Phnom Penh in January and in Vietnam in July and issued communiqués labeling China as their "most dangerous enemy" and proposing joint solutions to regional problems. In June, the ministers offered a four-point proposal to relieve the Thai-Kampuchean border crisis, proposed "bilateral or multilateral treaties between Laos, Kampuchea, Vietnam and Thailand pledging nonaggression," and said "the Indochinese countries are prepared to discuss with the other countries in the region the establishment of a Southeast Asian region of peace and stability."15 In the future, the Indochinese foreign ministers seemed to suggest, the Association of Southeast Asian Nations (including Thailand, Malaysia, Indonesia, the Philippines and Singapore) would be dealing with Laos, Vietnam and Kampuchea as a united front.

When Thailand sealed the Lao border, Hanoi and Phnom Penh joined Vientiane in charging Bangkok with "full responsibility for the worsening Thai-Lao relations." In a symbolic show of support, Vietnam sent two highly publicized convoys of fuel, food and other supplies to relieve the shortages of Laos's embargoed economy. Vietnam had earlier built an oil pipeline to southern Laos to reduce its total dependence on Thailand for fuel supplies.

Economic cooperation between Laos and Vietnam

has also increased since the 1977 treaty. Under recently signed agreements, the Vietnamese are assisting with gypsum mining in southern Laos, mineral prospecting in Xieng Khouang province, and logging operations along their common border. The terms of these agreements have not been made public. "Vietnam needs raw materials from Laos, and Laos needs ready-made commodities from Vietnam," a ranking Lao Foreign Ministry official said in an interview, implying that the arrangements are based on an exchange of goods and services. Whether Vietnam has much to offer, considering its own economic problems and aid programs in Kampuchea, is doubtful.

To promote greater local cooperation, Lao provinces have been twinned with sister provinces in Vietnam. Unlike the case of Kampuchea, where Vietnamese provinces send food, school supplies, medical and road-building teams to sister provinces, Lao-Vietnamese provincial cooperation seems to include primarily exchanges of delegations. Lao provinces have also been linked to counterparts in Kampuchea for the purpose of exchanging visitors and promoting cooperation.

Although Laos repeatedly called for negotiations to resolve the escalating conflict between the Kampuchean Pol Pot regime and Vietnam in 1978, Vientiane hailed the overthrow of the Khmer Rouge as "not only a glorious victory won by the Kampuchean people, but equally a victory for the peoples of the three nations of Indochina." Laos quickly recognized the Vietnamese-installed Heng Samrin government, exchanged high-ranking delegations, and provided an aid package of rice, cooking utensils, and cloth totaling about \$1 million. The Khmer Rouge, Chinese and Thai press regularly charge that Lao troops are fighting alongside the Vietnamese in Kampuchea, but most observers doubt that their numbers are more than symbolic.

### **RELATIONS WITH THE WEST**

To achieve "socialist transformation," Laos depends largely on its Communist allies. "Only by decisively relying on the socialist economic system," Kaysone said in his December speech, "will we be able to establish economic relations with the capitalist countries without being dependent on their economy and technology." Over the past few years, a stream of

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<sup>14</sup>FBIS, May 22, 1980.

<sup>&</sup>lt;sup>15</sup>FBIS, July 21, 1980.

"The prospects for Burma in the post-Ne Win era are mixed. The answers that emerge slowly will be Burmese, reflecting that unique culture. Burma's economic potential is still considerable, but it will be difficult to find a consensus that will allow its full exploitation for the benefit of the total population."

# Burma: Ne Win After Two Decades

### BY DAVID I. STEINBERG

Author, Burma: The Road Toward Development, Growth and Ideology under Military Rule

RESIDENT Ne Win has been at the pinnacle of power in Burma for two decades. He was Prime Minister of the military caretaker government in the 1958-1960 period, and became head of the Revolutionary Council after the coup of March 2, 1962. Since the new constitution of 1974, he has been President of the Socialist Republic of the Union of Burma.

His prominence, however, transcends any position he holds and emanates from an earlier period, from World War II, the watershed of nationalist ferment in Southeast Asia. As a member of that now almost legendary group, the "30 comrades," trained by the Japanese to lead the Burmese fight for independence, he acquired a cachet that was reinforced by his close association with Aung San, the father of postcolonial Burma. On independence in 1948, he became the deputy chief of staff of the Burma Army, and became chief of staff at the height of the Karen insurrection in 1949 after the forced retirement of General Smith Dun, a Karen.

Burma's relative isolation from foreign academic and journalistic scrutiny since 1962 and the continued preeminence of the military—even though they have governed in mufti since 21 key military officers (including Ne Win) retired from the army in April, 1972—may lead to a shallow characterization of Burma as unchanged since the coup of March 2, 1962. However, there have been major institutional, policy and personality shifts during this period.

Two institutional changes and a major policy shift marked the 18 years of Ne Win's rule after the coup. The Burma Socialist Programme party (BSPP) was transformed from a cadre party (in which no more than two dozen military leaders determined the course of the nation), to a mass party that has recruited tens of thousands of members and hundreds of thousands of candidate members. And the new

<sup>1</sup>Revolutionary Council, The Burmese Way to Socialism (Rangoon: April 30, 1962).

<sup>2</sup>Revolutionary Council, *The Constitution of the Burma Socialist Programme Party* (Rangoon: July 4, 1962).

<sup>3</sup>Burma Socialist Programme Party, The System of Correlation of Man and His Environment: The Philosophy of the Burma Socialist Programme Party (Rangoon: January 17, 1963).

<sup>4</sup>Ibid.

constitution of 1974 gave the Burma Socialist Programme party a monopoly on political power.

The policy change was the shift to a more liberal and pragmatic approach to Burma's ultimate goal, an industrialized, socialist state. This shift, which has affected Burma's growth and development performance and may transform its economy, was announced at the first BSPP Congress during June 28–July 11, 1971. It was ratified at the party's Central Committee meeting in November, 1972.

Less than 14 months after seizing power, the military had published a trilogy of works that still remain the basic documents of the present regime. The first of these, The Burmese Way to Socialism, set the guidelines for the state. The second, The Constitution of the Burma Socialist Programme Party (For the Transitional Period of Its Construction), established the administrative means by which socialism was to be achieved. The third, The Systems of Correlation of Man and His Environment, an eclectic mixture of socialist and Buddhist theory, provided the philosophical underpinnings for the actions that were to follow.

The military, through the Revolutionary Council, recognized that a political party was essential to guide the state toward socialism. It chose an East European model of "democratic socialism."

The Revolutionary Council, forged by peculiar and powerful historical forces, is revolutionary in essence, but wears the outward garb of a military council. This the Revolutionary Council deems undesirable. The Revolutionary Council believes that the natural leader of a revolution should be a revolutionary political party.<sup>4</sup>

The BSPP was the alter ego of the Revolutionary Council. The party was composed of three committees: central organizing (nine members), party discipline (five members), and socialist economic planning (ten members). The members of the first two committees had to be drawn from the Revolutionary Council. Although the third could have included non-Council members, they were subject to the approval of the Council. To begin to build a mass organization, one year after the coup the BSPP began to recruit candidate members for a probationary period of two years, during which time they could resign or be

expelled. In spite of this stipulation, just before it became a mass party in 1971, the BSPP had only 24 members, 13 of whom were also members of the Revolutionary Council. In the early stages of organization, party "sympathizers" were also encouraged, who were to work for party goals under party supervision. In 1965, there were only 20 party members, but there were 99,638 candidates and 167,447 sympathizers.<sup>5</sup>

### MILITARY CONTROL

To ensure continued control of the nascent public political process, the military recruited widely from its own forces. Thus, by 1966, 29 percent of the candidates were military and 1.2 percent were police.6 About four-fifths of the candidates were from urban areas, <sup>7</sup> reflecting either rural apathy or a bureaucratic incapacity to recruit from the majority of the population. About a decade after the coup, on the conversion of the BSPP to a mass party, there were 73,369 members, of whom 58 percent were drawn from the military or were former military personnel. Candidate members totaled 260,857, of whom 24.4 percent were members of the armed forces.8 More significantly, two-thirds of the armed forces of Burma were either full or candidate members, although the military comprised about one-half of one percent of the popu-

In September, 1976, there was a major party purge, and perhaps 50,000 members were expelled. However, by 1977, the BSPP had 181,617 members and 885,460 candidates, about 60 percent of all members

<sup>10</sup>Area Handbook for Burma, p. 174.

belonged to the military or police, or were retired officials of these services. There was a township unit of the party in each of 276 townships (and there were 38 township party organizing committees); thus, there was a party unit in every township in the country. There were also 13 party organizing committees at the military command level, and 338 such committees at battalion or lower military level. In 1971, a Central Committee was organized for the BSPP, with 150 members, of whom 127 were military or former military. The executive committee of the Central Committee, with 11 members, had only one civilian.<sup>9</sup>

Subordinate to the party, workers and peasant councils provided mass support for party activities.<sup>10</sup> The party-building, mass mobilization systems were ubiquitous.<sup>11</sup> They reached to every point in the nation over which the government had control and brought membership in one or another of these partyrelated activities to perhaps one-third of the noninfant population of the country. These mechanisms were used to persuade, cajole or enforce participation in nationally mandated programs, like government procurement of paddy, the attainment of economic objectives, the building of schools or roads, the cleaning of streets, anti-narcotics or other campaigns. How effective these organizations might be in development terms (if coercion were not an ever-present possibility) is, of course, unknown. Their efficacy may be untested, but their potential should not be underestimated.

Yet two points remain: the *tatmadaw* (armed forces) control the BSPP and its subsidiary organizations; and the *tatmadaw*, the BSPP and the administration are under the control of Ne Win. His will, with occasional lapses, <sup>12</sup> is said to be virtually absolute (in spite of an attempted coup against him by younger army officers in 1976). Whether he is the cement that holds the institutional structure together is one of the questions that Burma must eventually face.

The second structural change, the constitution of 1974, grew from the first change and indeed was dependent on it. The Revolutionary Council had, almost from its inception, considered itself obsolescent. It ruled by decree after the 1962 coup overturned the constitution of 1947. It had to be replaced eventually by a structure that would permit an orderly flow of administration and would assure political succession while allowing highly structured and controlled mass participation.

The process of formulation of a new constitution was long and rigorous, involving all party organizations; it reached some 18 million people even before the plebiscite of December, 1973, that approved its third and final draft. All possible organs of government and mass media were employed to generate support. The constitution did more than create a new administrative mechanism; it profoundly changed the

<sup>&</sup>lt;sup>5</sup>Josef Silverstein, Burma: Military Rule and the Politics of Stagnation (Ithaca: Cornell University Press, 1979), p. 103. <sup>6</sup>Ibid.

<sup>&</sup>lt;sup>7</sup>Area Handbook for Burma (Washington, D.C.: The American University, 1971).

<sup>&</sup>lt;sup>8</sup>John Badgley and Jon A. Wiant. "The Ne Win-BSPP Style of Bama-lo: A Strange Revolution," in Josef Silverstein, ed., *The Future of Burma in Perspective: A Symposium* (Athens, Ohio: Ohio University Center for International Studies, Southeast Asia Program, 1974), p. 57. Other estimates place party participation by the military at four-fifths of military personnel.

 $<sup>^{9}</sup>Ibid$ 

<sup>11</sup> The Mirror, January 11, 1979. The Guardian (May 14, 1979) gave the following figures for youth organizations: Lanzin, "nearly 900,000"; Shesaung, "over 300,000"; Teza, "about 270,000." On the other hand, Botataung on May 8, 1979, listed Lanzin as 784,266, Shesaung 224,496, and Teza 1,866,738. All these statistics should be treated with caution. However, the magnitude of the mobilization effort should not be denigrated.

<sup>&</sup>lt;sup>12</sup>During the November 14-17, 1977, extraordinary meeting of the BSPP Congress, there was a purge of the Central Committee, and a new election. Unexpectedly, San Yu placed first, Kyaw Soe second, and Ne Win third. New elections were immediately ordered, and then Ne Win won and was appointed Chairman, with San Yu as General Secretary.

formal structure of internal majority-minority relations, and it guaranteed the dominance of the BSPP.

In December, 1973, 14,760,036 persons voted in a national referendum on the new constitution. Although 90.19 percent favored the draft, such a strong vote should not necessarily be interpreted as overwhelming support in a totalitarian state. Of more significance was the relatively strong negative vote in minority areas, even under government pressure. In the Kachin State, only 69 percent voted in favor, while in the Kayah State it was 71 percent, and in the Shan State, 66 percent. It is likely that socialism was less an issue than the unitary nature of the state.<sup>13</sup>

The constitution provided for Peoples Councils to be elected at the village (or in urban areas, the ward) or township division, and the *Pythu Hluttaw*, or Peoples Assembly, at the national level. The Peoples Assembly is the highest organ of the state, electing from its membership a 29-person Council of State (the chairman of which becomes the President), a Council of Ministers (the chairman, the Prime Minister), and Councils of Peoples Attorneys, Peoples Judges, and Peoples Inspectors.

There is no division of powers. All authority—executive, legislative, judicial, and oversight—is within the party structure. Election to office, usually unopposed, requires the approval of, if not membership in, the BSPP.<sup>14</sup> The new structure was probably designed to provide for an orderly rite of succession. Ne Win had ruled for a dozen years with only a personal, non-institutionalized, informal choice of a successor implied.<sup>15</sup> However, although the constitution for the first time provides institutional legitimacy for a choice, its structure cannot guarantee a peaceful transition.

The third element of change in Ne Win's Burma was a major, although largely unheralded, shift in

economic policy. Dissatisfaction with Burmese economic progress was apparent. Riots over food costs had occurred in 1969. Although income in current prices rose from K. 284 in 1961/62\* to K. 390 in 1971/72, in constant prices it only rose from K. 345 to K. 379 per year, still below 1938/39 levels. In the push for doctrinaire socialism heavy industry had been accentuated, to the detriment of agriculture, forestry, fisheries and mining—elements in which Burma was naturally endowed.

Burma's economic potential was enormous; Burma was perhaps the only developing country in the world that had been both a food and oil exporter, and its ratio of people to arable land was the most advantageous in the area. However, mismanagement of the economy and doctrinaire policies had resulted in stagnation. The leading military proponent of this ill-fated policy, Brigadier Tin Pe, was dismissed; the civilian proponent, Ba Nyein, was in disfavor.

### A CHANGED APPROACH

The first congress of the BSPP changed this doctrinaire socialist approach. It approved of a seminal paper, The Long-Term and Short-Term Economic Policies of the Burma Socialist Programme Party<sup>17</sup> (later approved at the fourth meeting of the central committee of the BSPP, September 22-27, 1972), which meticulously and candidly listed the defects of the administration of the economy. It called for the retention of the national (BSPP) goal—an industrialized socialist state—but recommended delay in attaining this goal until 1993-1994, and mandated a series of four year plans under the overall guidance of a twenty year plan.

This plan reversed priorities. Agriculture, forestry, fisheries and mining (especially oil) were stressed. The private sector, long anathema to the military, was assured of a role, albeit a relatively minor one. The consumer was regarded as the legitimate recipient of the fruits of planning, and foreign assistance was recognized as necessary. The World Bank was invited back to Burma, and Burma joined the Asian Development Bank. Bilateral assistance was strengthened beyond that which the Japanese had been providing, and this amount was considerably increased. Taxation and administrative reforms were introduced.

The targets of the twenty year plan were ambitious. The public sector contribution to the economy was to rise from 36 percent to 48 percent, the contribution of the cooperative sector was to increase from a miniscule 3 percent to 26 percent, and the private sector was scheduled to drop from 61 percent to 26 percent. Since Burma had an essentially agricultural economy, the plan envisaged a major shift in agricultural production from private farming (all land is state-owned land) to cooperatives and state farms. A gross domestic product (GDP) growth rate was set at 5.9 percent per year over the life of the plan, with annual

<sup>\*</sup>Figures with a slash indicate fiscal years. After 1973, Burmese fiscal years were April 1 to March 31. Before that, the fiscal year was October 1 to September 30.

<sup>&</sup>lt;sup>13</sup>Data on the constitution of 1974 is taken from Albert D. Moscotti, *Burma's Constitution and Election of 1974* (Singapore: Institute of Southeast Asian Studies, 1977).

<sup>&</sup>lt;sup>14</sup>In 1974, the population of Taze township, Sagaing Division, heeding the letter, but not the intended spirit, of the constitution, put up their own slate of candidates, opposed to the BSPP, for the *Pyithu Hluttaw* and the township council. All non-BSPP candidates were arrested, held for 18 months, then tried and acquitted.

<sup>&</sup>lt;sup>15</sup>In 1962, it seemed that Brigadier Aung Gyi was to be Ne Win's successor. Then, until 1969, it was Brigadier Tin Pe. Since then General San Yu seems to hold paramount power.

<sup>&</sup>lt;sup>16</sup>See David I. Steinberg, "Burmese Economics: The Conflict of Ideology and Pragmatism," a paper presented to the Annual Meeting of the Association for Asian Studies, March 1980, for these and other statistics.

<sup>&</sup>lt;sup>17</sup>Burma Socialist Programme Party, Long-Term and Short-Term Economic Policies of the Burma Socialist Programme Party (Rangoon: Planning Department, Ministry of Planning and Finance, December, 1973).

increases of 4.8 percent in agriculture and 9.4 percent in industry, much of it agriculturally related.

These reforms were slow to change the marginal growth patterns that had stagnated for a decade. The first four year plan (1971-1974) was a failure and was aborted. In the second year of that plan, the value of output increased by only 2.2 percent, with the government admitting that economic growth was slower than the increase in population. <sup>18</sup> The second four year plan (1974-1978) set a target of increasing the GDP by 4.5 percent annually. Increases in production occurred slowly. In the first year, the average increase was 2.7 percent, but by the fourth year it had reached 6.4 percent, and in the first year of the third four year plan (1978-1979) it was 6.7 percent.

Improvements have been pronounced, partially thanks to foreign donor support. Oil production has increased; the production of crude has exceeded Burma's present refining capacity. Burma exported one million barrels of crude to Japan in 1979-1980. Increased use of the high-yielding varieties of rice, with greater applications of fertilizer (internally produced and imported) and intensive public campaigns, have increased yields per acre (from about 31 baskets of 46 lbs. each to about 40 baskets), public purchases -backed by the threat of coercion-and exports, although exports have never reached their pre-war levels. Forestry production (especially teak) has improved with donor assistance, as have exports. Fisheries are now exploited, and exports have risen. Donor assistance, averaging about \$25.7 million per year during the first decade of military rule, now averages \$350 million per year. Burma's absorptive capacity is beginning to be taxed.

There are more consumer goods in the bazaars, even though a great many are smuggled in, a trade that has reluctantly won the tacit approval of the government. A modest role for the private sector has been granted, and the public has responded with

alacrity. In 1979-1980 about 1,000 applications for the operation of private businesses were approved—about one in ten—and Rangoon seems less somnambulant these days. There is, by international standards, respectable growth, and Burma has become less isolated.

### WHAT OF THE FUTURE?

If the economic picture is brighter than it has been since 1962, and if the BSPP seems firmly ensconced under the new constitution, then what is the prognosis for Burma should Ne Win leave the scene?

Several issues continue to plague Burma, including the insurrections, some of which have continued for 30 years. These may be divided into those determined to overthrow the government in Rangoon, and ethnic revolts for greater local autonomy or independence.

Two rebellions focus on the overthrow of the government: that of the Burma Communist party (BCP) in the Wa State along the China border (with elements in Kengtung, Tennasserim Division, and the Arakan State), and the remnants of the U Nu group along the Thai border. With the resignation of U Nu from these forces in 1972 and his departure to India, this rebellion has become more an irritant than a threat. The BCP, however, is a major problem because it has under arms some 10,000 men and commands a relatively large but remote area in the northern Shan State and a population it claims to control of over 436,000.19 It offers no immediate threat to the regime; it was defeated in Burma Proper in the mid-1970's and regrouped in the remote mountains on the China border where it receives some (but recently less) Chinese support.20 With present Burmese military capacity, it cannot be dislodged, but it ties down a considerable number of the 160,000 troops of the tatmadaw. It has lost much support among the ethnic Burmese.

The ethnic rebellions are in a sense more serious, although they are diffuse and fragmented. Although their goals are more limited than those of the BCP, they are more critical because they represent a continuing tension that modern independent Burma has not yet been able to handle. Every major non-Burman ethnic group has, at some time since independence, been in revolt against Burman domination. These rebellions continue, although they are not necessarily supported by the majority of any of these populations; they deny to the government perhaps 40 percent of the total land area of the country (although a much smaller percentage of the population) along the frontiers of Burma, and they restrict the exploitation of the natural resources of these regions for the nation as a whole. They force perhaps one-third of the national budget into defense spending instead of development efforts.<sup>21</sup> Some, like the Karens, have evolved elaborate smuggling and taxation systems that sup-

<sup>&</sup>lt;sup>18</sup>Report to the People on the Financial, Economic, and Social Conditions of the Union of Burma 1973/74, vol. 1.

<sup>&</sup>lt;sup>19</sup>Political Report of the Politburo of the Central Committee of the Burma Communist party, Foreign Broadcast Information Service (FBIS), December 3, 6, 14, 20, 1979; January 4, 11, 16, 24, 1980.

<sup>&</sup>lt;sup>20</sup>Far Eastern Economic Review (FEER), July 25, 1980.

<sup>&</sup>lt;sup>21</sup>Defense spending in recent years in Burma seems to have been under-reported. During the civilian period it averaged about one-third of government expenditures. Since then Burmese sources are contradictory, some indicating that it was as low as 6.0 percent in 1976-1977; others that it was 32.2 percent for 1975-1976. The U.S. government officially estimated it was 29.2 percent of government expenditures in 1976, and 25.5 percent in 1977 (4.03 percent of GNP). A.I.D. Implementation of Section 620(s) of the Foreign Assistance Act of 1961, as Amended. A Report to Congress (Washington, D.C.: 1979). The author believes it to be about one-third of the budget.

port their insurrection; others depend in part on the illicit opium trade.

The creation of a unitary state under the constitution of 1974 and the destruction of the illusion of modest autonomy for the minorities has committed Ne Win's personal prestige (and by extension that of the BSPP and the constitution) behind this unitary state. Its formation can only exacerbate tensions, which require some new, moderate approach. The traditional patterns of majority (Burman)-minority relations under the monarchy cannot be revived. The British, by administering the frontier areas separately, heightened ethnic differences. Neither the Burmans nor the minorities were completely satisfied with the formula attempted under the civilian government, but today the situation has deteriorated. The problem of ethnicity will be the single most important issue facing Burma in the post-Ne Win era.

Ironically, by the strength of his personality and his historic role in modern Burmese history, Ne Win may be the single element that has prevented national disintegration. With his departure, there may be no force that can bind the nation unless the current administrative structure is abandoned in favor of a system that takes into account both minority sensitivities and Burman needs.

In spite of the omnipresent organizations of workers, peasants and intellectuals that are dependent on the BSPP, the future of the party is unclear. Socialism is and has been virtually synonymous with nationalism in Burma, and the roots of its acceptance are found in the Burmese interpretation of Buddhist theory; yet the BSPP as the chosen instrument of political power may not survive. The party may be too intimately connected with Ne Win; or its performance, should the economy deteriorate, may be unacceptable.

The route to power in the post-Ne Win era will probably be military. Should a military approach to political stability be sought in the early stages of the new period, the BSPP would certainly be a convenient mechanism. If the leadership of a new Burma comes from the military (and a coherent effort has already been made to ensure that this will happen by eliminating other avenues of social mobility), it is unlikely that the factionalism of Burmese politics based on personal power and related cliques will be any less evident in the military than it was in the civilian era. After all, the attempted military coup of 1976 against Ne Win is evidence of splits within the military elite.

A ruling coalition could probably not last long, but whether any single individual now on the scene has the potential for welding the nation together in the manner in which Ne Win did is uncertain. None have his credentials.

Burma's economic progress is still tenuous. Should the economic reforms falter through poor administration or contradictory policies (like continuous low rice-pricing policies and forced procurement, further business nationalization, forced producer cooperative formation), then the forces for continued reform may be defeated. Should foreign donor assistance, on which much growth is predicated, slacken, or should foreign recommendations for policy reformulation be seen as an infringement on Burmese sovereignty, then there may be a return to the more doctrinaire socialism of the first decade of military rule, and to Burmese isolation.

Most recently, Ne Win attempted to placate those elements of the population that could be troublesome in a transitional period. During May 24-28, he convened the Congregation of the Sangha of all Orders for Purification, Perpetuation and Propagation of the Sasana. This reaffirmation of the Buddhist tradition is important, for it tends to offer public support to those in the Sangha (and almost all Buddhists join the Sangha for at least a short period) while accomplishing the military's goal, attempted unsuccessfully in 1965, of registering the Sangha and asserting political control over the monks.<sup>22</sup>

Following this congregation, President Ne Win also announced a general amnesty, a Buddhist act of merit, for May 28-August 27, 1980. Whether this has materially affected the minority or other rebellions is questionable unless other acts of conciliation follow. By August over 5,000 prisoners had been released, including such diverse individuals as Thakin Soe, former Red Flag Communist party leader, General and former Minister of Defense Tin Do, and notorious drug traffickers. Some 2,189 insurgents had surrendered by August 27, including two ranking Communist leaders.<sup>23</sup> U Nu was welcomed back into Burma on July 29. These efforts will probably do little to erase the serious issues facing the country.

The prospects for Burma in the post-Ne Win era, are mixed. The answers that emerge slowly will be Burmese, reflecting that unique culture. Burma's economic potential is still considerable, but it will be difficult to find a consensus that will allow its full exploitation for the benefit of the total population.

David I. Steinberg was the assistant representative of The Asia Foundation in Burma for four years, and has revisited Burma five times. He is the author of Burma: The Road Toward Development, Growth and Ideology under Military Rule (Boulder: Westview Press, 1981).

<sup>&</sup>lt;sup>22</sup>For a discussion of the question under U Nu, see E. Michael Mendelson, "Buddhism and the Burmese Establishment," *Archives de Sociologie des Religions*, no. 17, 1964.

<sup>&</sup>lt;sup>23</sup>Chairman of the Arkanese Communist party and the Commander of the Northwest Command, BCP. FBIS, July 25, 1980, September 12, 1980, and The New York Times, August 17, 1980.

"For more than 100 years, they [the Thai] have preserved many of their own traditions while adopting technological innovations. They have relied heavily on foreign assistance, but they have managed the speed and direction of their own modernization."

# Thailand in the 1980's

BY FRANK C. DARLING

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S the people of Thailand move into the decade of the 1980's they face many problems, including the quest for security and stability in a vulnerable geographic region, the pursuit of economic development in a country with sizable resources and a rapidly increasing population, and the establishment of some form of constitutional democracy after almost 50 years of a military-dominated political system.

These problems are assuming new dimensions. For the first time, elected civilian representatives have an opportunity to balance the large military influence in shaping the policies of the Thai government. The growing economy, which provides urban Thailand with one of the highest living standards in Southeast Asia, is facing its first serious encounter with an energy crisis caused by a total dependence on increasingly expensive imported oil. And a new and ominous task lies ahead; for the first time in history Thai and Vietnamese troops are directly engaged in military skirmishes along the border between Thailand and Cambodia.

Under the constitution adopted in 1979, neither the Prime Minister nor the Cabinet ministers need be elected representatives in the 301-member House of Representatives. The executive power is further enhanced by its authority to appoint the entire membership of the 225-member Senate. This constitutional arrangement enables the Thai military to continue its control of the Prime Minister and key Cabinet ministers, which in turn has bolstered the political stability of the kingdom. The constitution has also encouraged military leaders to rely increasingly on elected civilian representatives in dealing with complex economic and social problems. This emerging form of political rule requires the Prime Minister to maintain the support of the armed forces, primarily the army, and the major political parties in the House of Representatives.

This new broadened base of Thai politics was vividly illustrated in the demise of the government headed by Prime Minister Kriangsak Chomanan early in 1980. In 1979, the former army chief sought desperately to keep the support of important factions in the military. His major effort was to retain the support of General Prem Tinsulanon, who was appointed to the important position of commander in

chief. Prem was popular in the armed forces and had many followers among the younger officers. When Kriangsak's government faced serious economic problems and growing domestic opposition, General Prem began to emerge as a rival to the Prime Minister.

To cope with this trend, Kriangsak appointed Prem Minister of Defense after the April, 1979, general elections, with the hope that Prem's inclusion in the Cabinet would silence criticism and enhance military support for the government. Instead, Prem used his Cabinet post to elevate many of his own followers in the army, including General San Chitpatima, who was appointed deputy commander in chief of the Army, and Major General Athit Kamlangek, who was appointed commander of the First Division, stationed in Bangkok, a post that has played a key role in every military coup since World War II. Prem also arranged to have some of his own military protégés appointed to the newly formed Senate. In January, 1980, the unpopularity of Kriangsak's government and Prem's rapid rise aroused rumors of a new military coup, which caused both Kriangsak and Prem to declare that they would adhere to a "democratic course."

At the same time, the growing stature of the elected House of Representatives played a significant role in the downfall of the Kriangsak government. After the April, 1979, elections, only the Freedom and Justice party, with 21 seats in the House of Representatives, and several other small parties, with about 60 seats, provided political support to the government. Kriangsak's new Cabinet of 44 ministers contained only 8 elected representatives and it received only 311 votes out of a total of 526 votes in the combined membership of both chambers of the national legislature. Only 89 of these votes came from the elected representatives.

The newly formed government was promptly and vigorously criticized for its lack of popular support. Strong opposition came from former Prime Minister Kukrit Pramoj, who led the Social Action party with the largest bloc of seats in the House of Representatives. The Thai People's party, led by Samak Suntharawet, a former Minister of Interior, and the Democrat party headed by Thanad Khoman, a former Minister of Foreign Affairs, also fought bitterly against the Kriangsak regime.

Kriangsak initiated a major reshuffle of his Cabinet in February, after raising government-controlled prices for oil and electricity. One of his key appointments was Sommai Hoontrakul, a widely respected businessman, who was given the post of Minister of Finance and was authorized to act as an economic czar. Upadit Pachariyangkun, who had served as the Minister of Foreign Affairs for almost four years, was replaced by Air Chief Marshal Sithi Sawetasila, the Secretary General of the National Security Council since 1975. The only woman in the Cabinet, Yupha Udomsak, was removed from her post as the Deputy Minister of Education. The new government had no elected representatives.

These changes had little effect on the growing opposition to the Kriangsak regime. The major opposition parties in the House of Representatives gained increasing support and quickly sought a vote of no-confidence against the government. Some progovernment members in the national legislature switched their support to anti-government groups. Outside the legislature, student activists and labor union leaders staged mass demonstrations to protest the recent oil and electricity price increases.

Prime Minister Kriangsak agreed to a debate on his stringent economic measures; and in the first session on March 1 (dealing with the confidence issue) he defended the price increases as a necessary action to prevent an excessive burden on Thailand's large rural population. Kriangsak declared that he was aware of the growing unpopularity of these actions among organized political groups in Bangkok; he concluded his speech by dramatically announcing his resignation. It was assumed that General Prem would be the new Prime Minister, and rumors quickly spread that Kukrit Pramoj would serve as an "adviser" to a new government.

The resignation of the Kriangsak government and the formation of a new government under General Prem strengthened the trend toward some form of parliamentary rule in Thailand. The key military leaders differ in personal background and political style from the military leaders who dominated the Thai government until 1973. Unlike the former tradition-oriented military leaders, like Field Marshal Thanom Kittikachorn and General Praphat Charusathien, the current leaders are educated in many non-military aspects of modern government. They speak English, have received advanced leadership training in Western nations, and are increasingly aware of the limitations and inadequacies of a rigid military-dominated system.

General Kriangsak respected some aspects of the Thai parliamentary process when he took over in 1977 from the unpopular regime headed by Thanin Kraivichien. He appointed many civilian politicians to important posts in his government, and he sought to

maintain strong support from the influential military factions. It was not until the severe economic crisis that began with the large increases in the cost of imported oil in 1978 that he began to take more stringent monetary measures. Yet instead of broadening his political base as he took these unpopular steps, Kriangsak relied largely on the advice of a small group of economic and financial experts. He also tried to speak for the large peasant population that is grossly underrepresented in the Thai political system. Kriangsak refused to run for an elected seat in the April, 1979, elections, and he and his Cabinet failed to cultivate good relations with the elected members of the House of Representatives.

General Prem's appointment as the sixteenth Prime Minister since the end of the absolute monarchy in 1932 augured well for the continuation of a quasi-democratic government in Thailand. Prem is a bachelor with 40 years of service as a professional soldier. He received advanced military training in the United States and in the United Kingdom, and he has a reputation for honesty and dedication. He enjoys close relations with the royal family and is popular with the general public. Very important, he assumed the post of Prime Minister with strong support from the leading factions in the armed forces.

Prem consulted with all major political parties in forming a new government. He stressed that his Cabinet would not be a coalition Cabinet, but would be a national Cabinet searching for solutions to national problems. Borrowing from the British model, he formally labeled his Cabinet "His Majesty's Government." The new Cabinet of 37 ministers announced on March 17 included 17 elected members from the 5 largest political parties in the House of Representatives. Prem appointed four Deputy Prime Ministers, including General Serm na Nakorn, the Supreme Commander of the Armed Forces (assuring strong military support), Thanad Khoman, a widely known and experienced diplomat, Boonchu Rajanasathien, a prominent banker and former Minister of Finance, and Major General Pramarn Adireksan, the leader of a large right-wing party. Kukrit Pramoj, the leader of the Social Action party, was not given an official post, but he promptly announced his strong support for the new government.

Since taking power, the Prem government has reduced prices on some petroleum products, but many of the price increases mandated by the Kriangsak regime have been retained. The new government has tried to make some reductions in the enormous drain on the national treasury caused by subsidies to mitigate the costs of electricity and oil. It has also made a concerted effort to cope with major problems that plagued the previous government, including new economic development, a reduction in crime, and the treatment of refugees from Indochina.

Institutional and structural problems confront the Thai economy in the 1980's. They cannot be solved by quick solutions and they will seriously challenge every Thai government for years to come. Low productivity in the agricultural sector, combined with gradual increases in the costs of manufactured goods and rapid increases in the costs of imported oil, have had a drastic impact on inflation, which rose from 10 percent a year in 1978 to approximately 18 percent in 1980. The trade deficit increased from \$1.3 billion in 1978 to \$1.8 billion in 1979, and it is expected to be about \$2.5 billion in 1980. The overall growth rate in the gross national product is expected to decline from 6.6 percent to 6.0 percent.

The Thai people are largely ill-prepared to cope with the energy crisis and rapid inflation. The growing complexity of the national economy has weakened the relationships between businessmen, military leaders, administrators, Cabinet officials and intellectuals. Groups excluded from the political process are demanding a larger voice in shaping public policy in an effort to achieve a higher standard of living for broader segments of the population. Inflation has led the expanding ranks of organized labor to demand higher minimum wages. Several strikes occurred in 1980, including a strike involving 3,000 workers at the government-owned Thai Tobacco Monopoly, in spite of the martial law prohibition against strikes at state enterprises.

One bright spot in the Thai economy is the discovery of new energy resources. Natural gas has been found in the Gulf of Siam, and oil deposits have been discovered near the ancient capital of Sukhothai. Shale oil has been found over a large area in the kingdom, and uranium deposits have been uncovered in the northern provinces. The natural gas deposit in the Gulf of Siam should be of special importance in alleviating the serious energy shortages; it contains an estimated 8.5 trillion cubic feet of natural gas capable of supplying 30 percent of Thailand's energy needs for 25 years. A key issue is the most suitable method of developing these new natural resources and other sectors of the national economy.

An innovative proposal to expand the development of the Thai economy was proposed in May by Boonchu Rajanasathien in a formal speech to the Thai-Australian Chamber of Commerce. The new Deputy Prime Minister concerned with economic and financial affairs labeled his plan "Thailand, Inc.," which he modeled after similar development plans in Japan, Singapore and South Korea. It envisions a massive influx of capital from both local and foreign investors in all sectors of the national economy, including the areas previously included in the public sector. Its primary purpose, however, is to attract multinational corporations with vast financial resources to construct and operate mass transportation

facilities, ports, telecommunications, roads, bridges and other enterprises previously reserved for the government.

In considerable degree, this new plan is a repudiation of the economic nationalism and the large bureaucratic role that has shaped the development of the Thai economy for several decades. The plan is in accord with a recommendation made by the World Bank to all third world countries seeking rapid economic growth, and it is designed to acquire large amounts of available investment funds and provide more efficient public services. The new policy will entail an additional \$25 billion in Thailand's foreign debts during the next five years, but this is a risk the Prem government is willing to take. Several foreign companies are already exploring the new program. The American-owned Amax Corporation with sales of almost \$3 billion a year is seeking approval of a project capable of producing 1 million tons of potash each year. Two other projects include a proposal by a large Australian company to construct a coal-fueled generator plant and a joint venture petrochemical plant to process natural gas from the Gulf of Siam.

Thailand, Inc., has aroused opposition from administrative and military groups with sizable interests in state-owned enterprises. These critics include Colonel Chamlong Srimuang, a leader of the Young Turk faction supporting the Prime Minister, and General Sant, the new Commander-in-Chief of the Army. The new economic plan has also aroused opposition from the right-wing Chart Thai party, which has three important portfolios in the present Cabinet. Yet Boonchu has the support of the Prime Minister and a majority of the Cabinet, and he has voiced increasing confidence that the new policy will accelerate the country's economic development.

### **FOREIGN POLICY**

The dominant foreign policy problem for Thailand in the last five years—and for many years to come—is the threat to Thai security along the border with Cambodia. The small-scale attacks into Thai territory made by the Khmer Rouge forces which brutalized their own people from 1975 to 1978, were succeeded by internecine fighting among rival Cambodian rebel groups and the Vietnamese military force that ousted the Pol Pot government. This bitter warfare led thousands of Cambodian peasants to flee to Thai territory. For more than five years, the Thai government and various United Nations and private agencies have tried to provide food and a modicum of health services to increasing numbers of refugees, some of whom are controlled by feuding insurgent groups. This policy has caused tension between Thailand and Vietnam; in addition, many weapons have been supplied by Communist China to the Pol Pot insurgents opposing the Vietnamese occupation forces.

In June, 1980, Vietnamese troops in Cambodia retaliated by seizing three miles of Thai territory, capturing three villages and a food distribution center. A prompt ground and air counterattack by Thai military forces caused the Vietnamese troops to withdraw, but Vietnamese commanders immediately moved 8,000 troops into the area adjoining the Thai border for future incursions. In this skirmish, 22 Thai soldiers, 75 Vietnamese soldiers and several hundred civilians were killed, and more than 100,000 refugees were forced to flee from their camps.

For the first time, Thailand and Vietnam pose a direct and serious threat to one another. In the past, Thai and Vietnamese leaders were able to keep Cambodia and Laos as buffer states between their territories, and their relations were generally good. The situation in the 1980's is dangerous for Thailand, whose armed forces number about 160,000 men with relatively litle combat experience. They are equipped mostly with American weapons, which have been provided for many years under various military aid programs. The Vietnamese armed forces, in contrast, have 1,000,000 troops, one of the largest military forces in the world. Vietnam receives extensive military aid from the Soviet Union, and it has large numbers of American weapons captured at the end of the Vietnam war. At present, the Vietnamese government has stationed 200,000 troops in Cambodia and 50,000 in Laos. A sizable number of these forces are experienced veterans of the long war against South Vietnam and the United States.

Thai strategy in coping with this threat to national security consists of three elements: 1) diplomatic support from the Association of Southeast Asian Nations (ASEAN), 2) diplomatic support from Communist China, and 3) diplomatic, economic and military support from the United States. ASEAN members have consistently provided strong diplomatic support to Thailand. In March, 1980, a joint meeting of the foreign ministers of ASEAN and the European Economic Community in Kuala Lumpur condemned the military intervention of Communist powers in Cambodia (and Afghanistan) as a "threat to international peace and security." ASEAN has also supported the Thai demand for a genuinely independent government in Cambodia and a total withdrawal of foreign troops. Thailand and its ASEAN allies favor the return of the Khmer Rouge regime in spite of its brutality and its suppression of the Cambodian people. At the United Nations and in many international conferences, ASEAN members have refused to recognize the Heng Samrin government established in Phnom Penh by the Hanoi regime.

This Thai strategy has provided regional legitimacy and support for Thai national security objectives. It has broadened Thai appeals for peace and stability in Southeast Asia, and it has meant that Thailand need not rely solely on the support of large industrialized Western powers. Yet the Thai leadership is increasingly aware of the limitations of ASEAN support, realizing that ASEAN members share some goals in their approach to regional problems but have many significant differences. ASEAN consists largely of underdeveloped agricultural nations with serious internal problems. They have only a modest industrial capacity, and their armed forces are incapable of undertaking sizable military operations beyond their own borders. The Thai government has consequently found it necessary to look elsewhere for diplomatic and military support.

Since Vietnamese military forces occupied most of Cambodia, Communist China has strongly supported the defense of Thai territory. The Chinese have supplied weapons to the Khmer Rouge and they have urged Thailand and the ASEAN members to adopt a hard-line policy against the Vietnamese and the Soviet policy in Indochina. The Beijing government has helped to reduce Vietnamese pressure on the Thai-Cambodian border by keeping sizable forces of its own on the border between Vietnam and China and by threatening another "punitive mission" into Vietnamese territory. Thailand and its ASEAN allies, however, are seeking a diplomatic compromise, rather than military action, to achieve the removal of Vietnamese military forces from Cambodia and the formation of a genuinely independent Cambodian government. The Thai government has also been careful to avoid offers of military aid from Communist China, in an effort to discourage increased tension with Vietnam and, indirectly, with the Soviet Union.

A major goal of Thai strategy in the new international environment is to restore a stronger security-oriented relationship with the United States. The Thai do not expect a commitment from the United States to send American troops to defend their territory, but they seek a more coherent American policy. The United States has responded to the new situation by expanding its \$50-million military aid program in Thailand. Immediately after the Vietnamese incursions into Thai territory in June, 1980, President Jimmy Carter ordered an additional \$3.8 million for military equipment for the Thai armed forces. The United States also reconfirmed its commitment to the

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"Diversity in geography, culture and religion and in economic and social reality makes Indonesia the most intriguing and the most exasperating country in which to try to deal with development problems."

# Dilemmas of Development in Indonesia

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HE fifth most populous and physically most fragmented country on earth, Indonesia presents a fascinating mosaic to outsiders and an illfitting jigsaw to planners striving for integrated national development. The circumstances of crowded Java have always contrasted with those of the Outer Islands (of which there are 13,000, with greatly varying resources and population densities). Currently, the government is encouraging use of the terms "West Indonesia," consisting mainly of Sumatra, Java-Madura, Bali and Kalimantan, and "East Indonesia," including Sulawesi, Tenggara, Timor, Malaku and Irian Jaya. The apparent rationale for this dichotomy, distinguishing the "more developed" heartland from the "less developed" periphery, is reminiscent of the similar division between West and East Malaysia, there, however, the distinction is much more clear cut.

The planner's dilemma in all less developed countries (LDC's) is to decide when particular fragments of underdevelopment are simply caused by poverty and when they represent untapped opportunity for more development, and to allocate limited resources to alleviate the former and promote the latter. The dilemma has recently been highlighted, in Indonesia and many other LDC's, by the realization that reliance on "economic growth first, fairer distribution afterward" (a prevalent philosophy among development planners) has polarized income and wealth and has made the poverty problem more intractable and more pressing.<sup>1</sup>

Diversity in geography, culture and religion and in economic and social reality makes Indonesia the most intriguing and the most exasperating country in which to try to deal with development problems. (The labyrinth that is India is the only comparable challenge.) No matter what efforts are made to inculcate national sentiment, to foster national integration, or to establish national systems of administration, justice, education, credit, agricultural ex-

tension, industrial incentives or whatever, there will always be a Javanese, a Sumatran, a Balinese, a Sulawesian, and an Irian Jayan response. This obstinate fragmentation baffled the Dutch colonial administration, in both its "cultural" and "liberal" phases; it defied the Japanese in attempting to regiment and Nipponize their "Greater Coprosperity Sphere"; it frustrated Sukarno's "Guided Democracy"; and it vastly complicates Suharto's "New Order." But while diversity is a source of endless complications, it also provides a rich heritage in a world becoming increasingly uniform and allows more room to maneuver in a world demanding greater flexibility for economic survival.

Diversity in natural resource endowment is an evident asset. Indonesia currently derives around 67 percent of its foreign exchange and 60 percent of its tax revenues from oil exports, the price of which has been especially advantageous, courtesy of OPEC (the Organization of Petroleum Exporting Countries). But exports appear to be leveling off as reserves are depleted, and the government is promoting the discovery and exploitation of natural gas, bauxite, copper, urea and other resources to maintain the upward trend in flow of funds. As the great-grandfather of export economies, Indonesia has already shifted reliance through a whole range of export staples from spices and indigo through tea, coffee, tobacco, copra, sisal, rubber, tin, palm oil and tropical hardwoods; more than most other developing countries it is well placed to continue to bring other minerals and plantation crops to market.

It is more difficult, however, to diversify away from primary export dependency, to promote productivity-enhancing activities that involve a broader sector of the population and build on the diversity of human skills and aspirations that are latent in its workforce, its farmers and small businessmen. Although some efforts are made, the bonanza aspects of export-led growth, the facility with which foreign corporations and joint ventures can organize the process, and the array of imported technology and consumer goods to which it gives access all make primary export dependency a primrose path to income enhancement and job satisfaction that entices attention away from the frustrating and unrewarding task of seeking an escape

<sup>&#</sup>x27;This was the focus of a previous article, where the search for alternative "redistribution-with-growth" strategies under Repelita II and Repelita III, Indonesia's second and third five-year plans, was also outlined. "Indonesia: Bonanza Development Amidst 'Shared Poverty'," Current History, December, 1979.

route from poverty along which millions might travel. Since I.H. Boeke first formulated it under Dutch colonial administration, the concept of dualism, in one or another variant, has been prominent among "orthodox" attempts to account for dichotomous development.2 A "modern sector," where Western-style technology, lifestyles and organization have been transplanted and are more or less flourishing, is usually contrasted with a "traditional sector," still steeped in backwardness, poverty and hopelessness. Lack of ongoing development in the traditional sector is explained in terms of primitive mentalities and irrationalities, the persistence of social values and customs inimical to change and competitive individualism, and the entrenchment of feudal or other institutional contraints frustrating modernization. The dualism approach explains the relative poverty and stagnation in this sector in terms of the "backwardness" of the people or the intractability of traditional social arrangements, which are only likely to change gradually, if at all, and which unfortunately have to be taken as "givens" as far as five-year plan formulation is concerned.

An alternative explanation for the uneven impact of capitalist development, under colonial or post-independence regimes, argues in terms of bastions of privilege, deliberate urban bias, class differentiation and monopoly control over means of production and means of economic advancement.<sup>3</sup> The wider the gulf between the lifestyle of the elite, including the labor elite and small farmer elite, and those less fortunate, the more stringent the impediments to competition

<sup>2</sup>J.H. Boeke, Economics and Economic Policy of Dual Societies (New York: Institute of Pacific Relations, 1953). For a review and analysis of various types of dualistic theory, see "Beyond Dualism? Village-level Modernization and the Process of Integration into National Economies in Southeast Asia," in G.B. Hainsworth, ed., The Political Economy of Rice and Water: Village-level Modernization, Employment and Income Distribution in Southeast Asia, proceedings of the Ninth Annual (first international) Conference of the Canadian Council for Southeast Asian Studies, Vancouver, 1979 (forthcoming).

<sup>3</sup>See Michael Lipton, Why Poor People Stay Poor: A Study of Urban Bias in World Development (London: Temple Smith; Canberra: Australian National University Press, 1977), for an exposition of this idea and a review of competing theories.

<sup>4</sup>Rostow's contagious terminology lives on, even after his schema has long been discredited among development theorists and historians. Cf. W. W. Rostow, The Stages of Economic Growth: A Non-Communist Manifesto (Cambridge University Press, 1961), and, for example, S. Kuznets, "Notes on the Take-off" in Rostow, ed., The Economics of Take-off into Sustained Growth (London: Macmillan, 1963). Kuznets prefers his own concept of "Transition to Modern Economic Growth"; see Modern Economic Growth: Rate, Structure and Spread (New Haven: Yale University Press, 1966). As an example of the insistent appeal of the Rostow aeronautical paradigm, see the interview with Vice President Malik reported in Indonesian Survey, "Indonesia: Towards Take-off," January, 1979, pp. 35-37.

and the more ingenious the rationalizations for the failure of the aspiring masses to follow the lead of the lucky few. Differentiation between the haves and the have-nots becomes more stark and harder to obscure or explain away.

### DISTRIBUTION AND DISPARITIES

Whatever their differences, virtually all ideologies and development theories agree in predicting that, in the process of a country's transition to "modern economic growth," the overall distribution of income will become more unequal and disparities will widen. Modernization cannot start everywhere at once; the market system is geared to reward innovators and fast responders; and planners mobilize resources from the economy in general to promote "growth points," strategic investment projects and other government priorities.

The "orthodox" developmentalist view, however, expects this polarization effect to be temporary and in fact to be self-correcting. Income distribution should make a U-turn and should become increasingly equal, as the high incomes of initial beneficiaries are spent and "trickle down." The transition from mass poverty to high mass consumption should be achieved when the nation takes off into self-sustaining growth.

Allegiance to this view is still expressed in the rhetoric of planning documents and political pronouncements charting the future in Indonesia and elsewhere. Growing doubts, however, as to the inevitability of "self-correcting" tendencies in application to LDC's formed the central topic of development studies in the 1970's. Indonesia's situation is unusually complicated and convoluted, but the consensus seems to be that income inequality has significantly worsened under prevailing development strategies, that real incomes of the poorest 20 percent to 40 percent have probably deteriorated, and that disparities between regions, between urban and rural areas, and between "modern" and "traditional" sectors have considerably widened.

In Indonesia, resource extraction mostly takes place in the Outer Islands, while the conduit of revenues has its confluence in Jakarta. There is thus a discontinuity between realizing the social surplus and its transformation into national benefits. Much revenue accrues as profits to foreign corporations, as profits and royalties to official agencies (like Pertamina) with substantial discretion over their subsequent use, and as profits and perquisites to government officials, the military and various intermediary and comprador interests, before the proceeds are available for general purposes. It is thus hardly surprising to observe a strong tendency to channel resources into urban development, into social overhead to facilitate further resource extraction and foreign investment, into high technology and capital-intensive projects readily obtainable from overseas contractors, and into consumer goods and other amenities geared to the upper income groups who are largely responsible for controlling disbursement and who tend to retain the lion's share.

The efforts expended on Indonesia's behalf in raising foreign loans and investment and the collaborative response received from aid-disbursing agencies, multinational corporations, and the international banking community are outstanding and have made massive contributions to capital formation in the "modern sector." A tendency to grandiosity is to some extent inescapable, given the character and vast size of the resource base and the country as a whole, with responsibility centered in a relatively small urbanservice sector. But there is virtually no basis for decisions as to when a new integrated steel mill, alumina plant, urea factory, government office complex, hotel and resort development, communications satellite or order of 747's for the national airline are "clearly inappropriate," relative to the pressing needs for clean water, protein supplements, clinics, schoolrooms and job creation at the village level. These are political decisions but planners help to make them.

World Bank estimates of Indonesia's outstanding indebtedness totaled US\$21 billion for 1980, about half the gross domestic product, or double the level of total foreign exchange earnings, yielding a debtservice ratio of just over 17 percent. (Unofficial guesstimates, including private and short-term indebtedness, would be some higher multiple and ratio.) At the 1979 meeting of IGGI (the Intergovernmental Group on Indonesia of aid-disbursing nations), a "supplemental aid" allocation of US\$2.8 billion for 1979-1980 brought the share of foreign assistance in Indonesia's development budget to 42.2 percent (from 34.6 percent in 1978-1979). Such dependency has a strong influence on government priorities. The raising of domestic gasoline prices 40 percent as recommended during the IGGI conference is a clear example of this; and the 34 percent currency devaluation of November, 1978, is another.

Even when the social dividend is not used profligately but in fact promotes modernization and productivity increases throughout the economy, the dilemmas of dichotomous development remain. Modernization in Indonesia and in most LDC's has usually involved adopting and diffusing technologies developed in industrially more advanced economies, whether the output is intended for export or for local markets. As such, plants are generally more capital-intensive, less labor-using, and of a larger scale than

enterprises with which they compete locally or which they replace. They can thus create more unemployment and downward pressure on wages than they create new jobs and income opportunities. This is explained as part of the "negative fallout" or "adjustment problem" that accompany the early stage of "transition to modern economic growth." According to the model, the displaced labor will be picked up at a higher level of productivity as the pace of modernization accelerates toward full employment; meanwhile, displaced labor must find "self-employment" in agriculture or the expanding construction industry. When the rush to modernization involves both agriculture and construction, and especially where population is increasing, the interim of immiserization may be prolonged, and may even be permanent.

In recent years, in Indonesia displacement effects have been identified in rice processing (where Japanese-style mills abruptly curtailed hand-pounding), in textiles (where even relatively simple mechanization and the use of synthetics and chemical dyes made serious inroads into the handicraft batik industry), in rubber milling, and in many other industries, although estimates of overall impact are conspicuously lacking. More fully documented is labor displacement in agriculture, especially harvesting, as commercial contracting and the use of sickles and simple threshers removed a customary source of livelihood for many thousands of rural families, especially in Java.5 Many (especially women) find employment in road work paying minimum subsistence, while others migrate to the cities, or even to Singapore or Saudi Arabia.

Many aspects of these problems are familiar to Indonesia's planners, and Repelita III (1980-1984) announces many "new directions" through which it seeks to make good the promises of Repelita II substantially to improve equity and to combat poverty. Beyond rhetorical commitments to pursue "eight development equalities" (basic needs, education and health, income distribution, employment opportunities, business opportunities, the participation of youth and women, regional disparities, judicial effectiveness), special attention is given to food production, transmigration, cooperatives and small-scale industry. These may represent a genuine attempt to move toward greater decentralization and domestication in economic orientation, but it is as yet too early to know how they will be implemented.

Eighty percent of all Indonesians live in villages, and extended family ties are important for social as well as economic survival and advancement, even after an individual migrates elsewhere. The ingenuity shown by ordinary people in making a livelihood (or several livelihoods within a family) in spite of miniscule access to land and other orthodox channels to success is a quality that has amazed anthropologists.

<sup>&#</sup>x27;See W.L. Collier et al., "Recent Changes in Rice Harvesting Methods," and C. Peter Timmer, "Choice of Technique in Rice Milling in Java," Bulletin of Indonesian Economic Studies, July, 1973, and several subsequent studies, e.g., by the Rural Dynamics Survey group at Bogor.

But it is easily overlooked or disparaged by planners intent on standardizing education, formalizing tenure and credit arrangements, regulating job placement or devising cooperative arrangements to streamline and modernize farming and business practices. Broadening the opportunities for self-help may be more efficient if less tidy than central directives in finding appropriate ways in which limited local resources can provide escape paths from poverty.

The dilemma is how to facilitate the evolution of institutional arrangements that will foster village-level and family-level self-help on a broad basis that is conducive to "modernization" and ongoing productivity improvement (and compatible with the mix of positive and negative impulses emanating from the modern sector), on the one hand, and is a meaningful extension of activities and skills already possessed by villagers that they could not otherwise realize, on the other hand. Cooperatives and marketing boards for batik producers, woodcarvers and other handicrafts, and product development and the promotion of these domestically and overseas are obvious examples and are receiving increasing attention. A revitalized pride in Indonesia's varied and distinctive national culture, reflected in the highly individual artistic flair and manual skills of its craftsmen, could likewise encourage voluntary "import-substitutive preferences." Intermediate technology and cooperative troubleshooting and advisory institutes for small businessmen run by small businessmen and local elected officials could also do much to elicit improved performance from pribumi (as indigenous non-Chinese small businessmen are called).

Beyond this, however, the careful and painstaking land husbandry that terraced much of Java's pockethandkerchief rice plots and cultivated an exotic profusion of rice strains and secondary crops should give the planners intent on creating a monoculture of socalled high yielding but highly vulnerable varieties food for thought and possibly for dietary improvement. An obsession with quantity in rice targeting; distorting price incentives and overriding dietary preferences and nutritional balance in some cases, is a particularly regrettable example of technocratic intervention in the name of central planning that could have disastrous consequences. Discounting countrywide harvest failure, there is growing concern about dietary deterioration and malnutrition in many parts of Indonesia, even when total food availability (measured in rice equivalents) can be shown to have increased.

This predicament stems from the chronic dichotomy that bedevils all aspects of Indonesian

development and planning decisions. Indonesia is currently the world's largest importer of rice, in spite of all the efforts in seed-fertilizer innovation, new irrigation works and other rice-intensification schemes that have gone into successive campaigns for food self-sufficiency over the last 15 years; and projections point to even heavier reliance on food imports. Local diversification of rice culture and other crops may not maximize the flow through BULOG (the state marketing agency) available for city distribution and import replacement, but it may well better meet basic local needs and offer more scope for value-added cultivation and employment.

### DEMOGRAPHY AND URBAN DRIFT

In comparison with other LDC's, Indonesia's "population problem" appears to be more a matter of exceptional density in Java (the most densely settled area of comparable size in the world) than of exceptional overall rates of increase or of nationwide pressure on resources. While there seems some degree of uncertainty, the World Bank reports a drop in Indonesia's rate of population increase to around 1.8 percent a year (compared to 2.7 percent for Malaysia and the Philippines, and 2.1 percent for India).6 Sixtyfour percent of all Indonesians, however, are crowded into only 7 percent of the land area. This dichotomy in density has delayed until recently any serious effort to slow population increase; Indonesians have relied more on transmigration schemes and on the hope that they will be able to utilize the Outer Islands as settlement areas and as a resource base to support incomes and jobs in Java (for example in processing, transshipment, service and manufacturing supply activities). Reluctance to undertake concerted efforts to regulate the birthrate has also been influenced by religious and political considerations (like the wish to maintain and extend Javanese and Islamic hegemony). The exceptional fertility of volcanic soils on Java has also fostered confidence in ever more rice intensification efforts to keep ahead of the "Great Denominator" that fragments shares in land and livelihoods every generation.

The proposals for assisted transmigration exceed in ambition anything of this sort that has been tried before in Indonesia or elsewhere. The government hopes to resettle some 2,650,000 persons in some 250 new Outer Island communities in the five years, 1978-1983 (compared to 389,469 actually resettled in the previous five-year period and 78,000 resettled in the period 1966-1971). This does not allow for return migration, which some observers think may have nullified most if not all earlier transmigration outflow. The typical Javanese is so attached to his original habitat and familiar social environment that the cost of succeeding in resettlement efforts could easily be some multiple of the estimated US \$2,000-\$2,500

<sup>&</sup>lt;sup>6</sup>The figure of 1.8 percent (and the other country data) is from the 1979 World Bank Atlas: Population, Per Capita Product, and Growth Rates (Washington, D.C., 1980), and relates to 1970-77.

initial transportation and establishment cost per family. Whatever the success of these efforts, they cannot be expected to keep up with the increment of natural increase in Java. Two worrisome aspects of demography on Java, in comparison with other countries that have registered declining birthrates, are the facts that poorer families have a smaller average size than more affluent families, and that birthrates seem to vary widely among villages and also from year to year. This suggests that the slowdown may be temporary and that a Malthusian response may fill the spaces left by out-migration.

The most pressing aspect of the population problem is less a problem of mouths than of empty hands, although food assurance is becoming increasingly uncertain in a world where the use of "food as a weapon" is apparently no longer unthinkable. The flow of migrants seeking livelihoods in the slums and shantytowns in and around Jakarta and other major cities literally brings home to government and the principal beneficiaries of economic growth the inadequacy of their planning efforts and trickle-down. The rate of urban population growth in Indonesia is presently estimated at 4.4 percent (and unofficially may well be higher), while urban net job creation under Repelita II apparently remained static and total nonagricultural employment may well have declined (no adequate measures of this exist). The best that Repelita III can hope for, in spite of its specific employment orientation and pre-recession expectations, is 6.4 million new jobs, just enough to absorb new entrants into the labor force but not to alleviate present unemployment levels. How much displacement effect these new jobs may have on the currently employed is not clear.

In light of this rather desperate employment situation, the World Bank's recommendation for industrial export zones with free trade access appears in its most favorable aspect. The fact that many other countries are resorting to the strategy is the major argument against it. It can attract footloose processing plants that have little or no linkages with the local economy, and that may disappear when wages rise a notch above minimum subsistence levels. When one's "comparative advantage" is simply the fact that

Indonesia has the largest remaining pool of inexpensive and relatively literate labor in East Asia . . . [with] wages for unskilled labor among the lowest in the

<sup>7</sup>Quoted from the World Bank report, FEER, April 27, 1979, p. 87.

world, [and that] labor is not unionized and government has largely refrained from intervening in the labor market,<sup>7</sup>

it is hard to see this advantage as a realistic basis for improving real incomes and life prospects for the country's youth. As a stop-gap measure, however, or as a supplementary "learning" strategy it may well seem better than nothing; and it is perhaps preferable to exporting indentured labor for the most menial work in Middle Eastern countries, which are able to emancipate their own citizens from manual work and to hire appropriate skills of every type and level that they require.8

The problems of foreign exchange scarcity, inflation and constraints on government spending, added to the problems of meeting basic subsistence needs and of coping with growing numbers of would-be entrants into the labor force, are likely to create more headaches and crises for Indonesia's planners and politicians before there is time to assess Repelita III's accomplishments (and before the next elections, scheduled for 1983). Reports of "student unrest" in the major cities and even in some of the smaller towns have become more frequent; criticisms of the regime have become more open; and petitions from influential and from less influential groups are being circulated, calling courteously for President Suharto's resignation, for more stringent curtailment of corruption and extravagance, and for more wide-ranging

The Suharto administration has restricted the outlets for the idealistic and irreverent debate to which the youth of all societies are rightfully attracted. The revolutionary youth of 1945, who pushed Sukarno to rebellion against the Dutch, have continued to dominate key positions in Indonesia's power structure. They have developed a stake in the system and in particular aspects of the status quo that leads them to block new ideas and younger movers-and-shakers. In very significant measure, they have bred disaffection and disillusion among the youth of the nation and especially among the more educated.

Even the most benign observer of the regime's evolution can be led to remark that "the failure of the 'Generation of 1945' to secure the respect of the 'best and the brightest' of their children may be the Achilles' heel of the present regime." More specifical-

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<sup>&</sup>lt;sup>8</sup>In listing "export industries suitable for rapid expansion" now that "the oil honeymoon is over," the Minister of State for Administrative Reform, J. S. Sumarlin, in an interview with *Indonesian Survey*, January, 1979, included "labor services to the Middle East" along with handicrafts and mining.

<sup>&</sup>lt;sup>9</sup>Guy Pauker, "Indonesia 1979: The Record of Three Decades," Asian Survey, February, 1980, p. 131.

### KAMPUCHEA: PAWN IN A POLITICAL CHESS MATCH

(Continued from page 174)

From China's perspective, however, a negotiated settlement that would provide a role for Vietnam would be unacceptable because of Vietnam's relationship to Moscow. Beijing insists that the invasions of Afghanistan and Kampuchea were coordinated segments of a Moscow-directed strategy ultimately aiming to sit astride the world's major commercial sea lanes. As China sees it, only by forcing Hanoi out of Kampuchea can the eastern link in that strategy be broken.<sup>27</sup>

The Vietnamese incursion into Thailand in late June, 1980, solidified ASEAN backing for Bangkok's anti-Vietnamese position, even though Malaysia and Indonesia had earlier expressed reservations about supporting a strategy that would strengthen China's influence in Cambodia via the Khmer Rouge. Once Thailand had been directly attacked, ASEAN called for the establishment of a demilitarized zone in Kampuchea under United Nations supervision. In effect, this proposal called for the removal of Vietnamese forces from the border region; it offered the anti-Vietnamese guerrillas guaranteed safe havens on the Kampuchean as well as the Thai side of the border. Vietnam, of course, rejected the ASEAN initiative, proposing instead a demilitarized zone on both sides of the border, a situation that would inhibit Thai supplies to the Khmer Rouge and would undermine the Khmer Rouge border redoubts.28

Thus the Kampuchean situation remains precariously balanced in the autumn of 1980. Further fighting, bloodshed and famine may appear. The Vietnamese may again cross the Thai border if supplies to the Khmer Rouge significantly raise the latter's strength. China may retaliate on Vietnamese soil. The United States has also warned that a major incursion into Thailand would activate United States security commitments to Bangkok.

At this writing, it is clear that Hanoi has no intention of leaving Kampuchea and is attempting to divert attention from its military presence to the dangerous situation along the Thai-Cambodian border. If the border can be demilitarized on the Thai side, Vietnam will have achieved a major victory, reducing outside support to its Khmer Rouge nemesis. But as long as Thailand, the other nations of ASEAN, and the United States and China keep world attention focused on Vietnam's occupation and

control of Kampuchea, Hanoi's Indochina federation will not be legitimated.

### "SOCIALIST TRANSFORMATIÓN" IN LAOS

(Continued from page 179)

Soviet and East European party, friendship, economic and cultural delegations have visited Laos. Lao delegations have reciprocated, and a host of cooperation agreements have been signed. While Vietnam is a full member of the Soviet bloc's Council for Mutual Economic Aid (COMECON), Laos has only observer status. In August, Kaysone visited the Soviet Union, where he met President Leonid Brezhnev and discussed economic cooperation and regional developments. Soviet aid to Laos has included help in reopening the Phon Tiou tin mines, building a fuel storage depot and an agricultural machinery repair plant, and training in the aviation sector.

Western economic experts estimate that Laos will receive \$80 million to \$90 million in foreign aid this year, including substantial assistance from international agencies and a handful of Western countries. In the summer of 1980, the IMF extended Laos the equivalent of an \$18-million credit to assist with its balance of payments deficit. Both the World Bank and the Asia Development Bank are providing loans for irrigation schemes and agricultural projects. United Nations agencies have played a major role in recent years in helping Laos overcome its food shortages, and currently have programs to develop the country's agricultural and hydroelectric potential. Sweden is providing aid to increase Laos's forestry exports, while Japan and the European Economic Community are also granting some assistance.

Relations with France, ruptured in 1978 following Lao charges about the "hostile activities of French diplomatic personnel," remain strained. Despite rumors late in 1979 that relations might be normalized, French diplomats deny that either side has taken any initiatives.

The United States and Laos have maintained diplomatic relations throughout the upheavals of the past five years, although not without frustration and irritation on both sides. Washington was angered late in 1979 by strong Lao statements of support for Iran, following the occupation of the American embassy. In the summer of 1980, an American television crew found the identification cards of three United States servicemen in a Vientiane military museum, resurrecting the problem of the 550 Americans still missing in Laos. United States officials say that so far the Lao have responded to their requests to visit the museum only by saying that the Defense Ministry is looking into the origin of these items.

Laos, on the other hand, believes that the United

<sup>&</sup>lt;sup>27</sup>Xinhua commentary, June 18, 1980, in FBIS, Daily Report People's Republic of China, June 19, 1980, p. C1.

<sup>&</sup>lt;sup>28</sup>Nation Review, August 2, 1980, and AFP (Hong Kong), August 3, 1980, in FBIS, Daily Report Asia/Pacific, August 4, 1980, p. K3.

States is acting in bad faith by refusing to provide economic aid to rebuild a country ravaged by American bombing. The United States State Department made an effort to get Congress to lift prohibitions on economic assistance to Laos in 1979, but was rebuffed by congressional conservatives. For the past two years, however, the United States has abstained on most votes for aid and loans to Laos through the international organizations, instead of voicing opposition, as it does in the case of Vietnam.

Another irritant for Laos has been the American charges, based primarily on refugee interviews in Thailand, that Vietnamese and Lao troops are using illegal toxic chemicals to combat Hmong resistance fighters. Both Laos and Vietnam have sharply denied these charges. <sup>16</sup> In a somewhat surprising development, Laos approached the United States in July for help in getting Thailand to reopen the Mekong. Washington responded by urging Bangkok to lift the blockade quickly, believing that an extended crisis would only increase Lao dependence on the Vietnamese.

Over the past few years, the United States has adopted a relatively more flexible approach to Laos than to the other two countries of Indochina. But further improvements in relations between Washington and Vientiane are unlikely, as long as the United States and Vietnam are at odds over Kampuchea.

<sup>16</sup>See for example, FBIS, December 27, 1979.

### THAILAND IN THE 1980'S

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defense of Thailand under the Manila Charter. During an official visit to Thailand, Admiral Robert Long, the United States Commander-in-Chief of the Pacific fleet and Richard Holbrooke, the Assistant Secretary of State for Asian Affairs, voiced strong American support for the defense of Thailand and all members of the ASEAN organization.

In spite of the new problems, the Thai government and people have important assets in preserving their national independence and promoting economic development. The Thai nation is highly unified, with a common language and religion. Its people are held together by a strong devotion to a popular monarchy. They have preserved their national independence for more than six centuries, regardless of severe external threats. And the Thai people have a highly eclectic culture able to combine tradition and modernity in a manner that causes relatively few disruptions to the stability of the society. For more than 100 years, they have preserved many of their own traditions while adopting technological innovations. They have relied heavily on foreign assistance, but they have managed the speed and direction of their own modernization. This capacity has been a major strength in the past,

and it will almost certainly contribute to stability and progress.

### THE GREAT POWER TRIANGLE IN SOUTHEAST ASIA

(Continued from page 164)

of United States relations with Vietnam and looked to China as the key to regional stability; the other viewed United States-Vietnam ties as important to regional stability and sought a balance between China and Vietnam.

The Carter administration brought a new set of priorities to its Southeast Asia policy. The ASEAN states, particularly Indonesia and Malaysia, were urging the United States to establish ties with Hanoi, hoping that Washington would have some influence there. They were convinced that Vietnam wanted to be independent of the Soviet Union, and they believed that friendly relations between Washington and Hanoi would help to achieve détente between Vietnam and ASEAN.<sup>24</sup> The new administration began immediately to act on the basis of these ASEAN views.

But the policy of détente with Vietnam was stymied by a combination of Vietnamese suspicions of United States intentions and domestic United States political constraints. Hanoi demanded some United States contribution to its postwar reconstruction as a sign of United States friendship, but the Carter administration, confronted with opposition in Congress to a humanitarian assistance program for Vietnam, could only offer unconditional normalization of relations.

Confronted with an acute crisis in its relations with Cambodia and China, Hanoi decided in the spring of 1978 to drop its precondition on normal relations with the United States. But by that time, the Carter administration was already shifting to a tougher line against the Soviet Union and tilting more sharply toward China. That strategic shift in United States policy in the strategic triangle coincided with a new debate over Vietnam policy. Brzezinski indicated in Beijing that the United States agreed with China on opposing "regional hegemonism," a code word for Vietnamese ambitions to dominate Indochina. The national security adviser had called the Vietnamese-Cambodian fighting a "proxy war" in January, 1978, suggesting that Vietnamese designs in Kampuchea were tied to Moscow's policy in the region. The State Department<sup>25</sup> disagreed with Brzezinski's assessment and argued that a United States diplomatic role in

<sup>&</sup>lt;sup>24</sup>See Franklin B. Weinstein, "U.S. Vietnam Relations and the Security of Southeast Asia," *Foreign Affairs*, vol. 56 (July, 1978), pp. 852-853.

<sup>&</sup>lt;sup>25</sup>The debate within the administration on Vietnam is described in more detail in Gareth Porter, "Discordant Overtures: U.S. and Vietnam—the Missed Chance," *The Nation*, October 20, 1979.

Hanoi could help head off a confrontation over Cambodia by moderating the escalating tensions between Vietnam and China.

The outcome of this debate over Vietnam policy was not clear until after the Vietnamese-Soviet Friendship Treaty was signed in November. Those who had argued forcefully that the Vietnamese were already firmly in the Soviet orbit used the treaty as evidence that they had been right all along. In early December—before the Vietnamese invasion of Kampuchea began—the United States postponed further talks on normalization indefinitely.

The Vietnamese invasion of Kampuchea and the normalization of United States-China relations, in December, 1978, began a new phase of United States policy. The tentative effort toward regional détente was now replaced by a convergence of Chinese, American and ASEAN policies directed against Vietnam. The United States began to coordinate its policy on Kampuchea with Beijing at the United Nations Security Council meeting in January, 1979, and announced a step-up in the delivery of arms to Thailand.

China's invasion of Vietnam did not seriously affect the willingness of the United States to coordinate its Indochina policy with the PRC. The administration carefully termed the Chinese action a "frontier penetration" rather than an invasion, thus reducing its political significance. The administration's opposition, publicly expressed by President Jimmy Carter as well as by the United States Treasury Secretary Michael Blumenthal in Beijing, was related to the risks of wider war and to the danger that public opinion might turn against China. When it became clear that the Chinese strike was limited in duration and would not involve the risk of Soviet retaliation, the United States decided not to let it interfere with United States-China relations.<sup>26</sup>

In 1979 and 1980, the United States frequently subordinated its judgments on the Cambodian problem to its united front with China. Thus although the United States declared that neither Pol Pot's regime nor the Vietnamese-supported regime satisfied the United States criteria for legitimacy, it yielded to pressure from China and ASEAN to vote to seat Pol Pot's representatives at the General Assembly in September, 1979.<sup>27</sup>

The culmination of this trend toward the coordination of United States policies with those of China came after the Soviet invasion of Afghanistan in 1979. Defense Secretary Harold Brown, on a visit to China, referred to the "parallel actions" of the United States and China in Southeast Asia and retrospectively endorsed the Chinese invasion of Vietnam as part of a strategy of pressure against Vietnam in which the United States had played its part diplomatically.<sup>28</sup>

Even as United States policy swung to this Sinocentric extreme in Southeast Asia, countervailing pressures were apparent. Many United States officials were troubled by the policy of support for Pol Pot in the United Nations and by the continued fueling of military resistance in Kampuchea, on practical as well as humanitarian and human rights grounds. Assistant Secretary of State Richard Holbrooke has voiced the State Department's concern over the Soviet military role in Vietnam, which China's strategy has no realistic prospect of reducing in the foreseeable future. And there is concern that Indonesia and Malaysia may become so worried by China's new influence in the region that they will break ranks with Thailand and Singapore on ASEAN policy toward Indochina.

### CONCLUSION

The dramatic changes in the international politics of Southeast Asia since early 1978 have been linked to a major shift in the United States-Soviet-Chinese strategic triangle. When the United States was still trying to be evenhanded toward the two Communist powers and while both China and the Soviet Union saw some prospect of improving relations, the conflicts between China and Vietnam and between Cambodia and Vietnam were handled with caution and restraint by all parties except Pol Pot. But when the United States and Japan tilted sharply toward China in moves with strong anti-Soviet overtones, their actions touched off a series of reactions that exacerbated the regional conflicts: China's break with Vietnam, Vietnam's move toward a new militarysecurity relationship with the Soviet Union and its effort to replace the Pol Pot regime by military force, and finally, the convergence of United States, Chinese and ASEAN policies to put maximum pressure on Vietnam. Thus Southeast Asia's conflicts are not likely to be resolved unless there is another shift in the global great power triangular relationship.

### **VIETNAM**

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On June 23 Vietnam responded by launching a sharp, limited incursion into several camps on the Thai side of the Kampuchean border. Thailand lost no time in raising the alarm. Vietnam was accused of

<sup>&</sup>lt;sup>26</sup> Washington Post, February 21, 1979. For Blumenthal's remarks in Beijing, see Tretiak, op. cit., p. 7763.

<sup>&</sup>lt;sup>27</sup>For the official U.S. policy on Cambodia, see the statement by Assistant Secretary of State Richard C. Holbrooke before the House Subcommittee on East Asian and Pacific Affairs, June 13, 1979, in "Current Situation in Indochina," *Current Policy*, series no. 71, June, 1979. For an analysis of U.S. policy toward Cambodia, see Gareth Porter, "Kampuchea's UN Seat: Cutting the Pol Pot Connection," *Indochina Issues*, no. 8, July, 1980.

<sup>&</sup>lt;sup>28</sup>See Nayan Chanda, "A Curious Parallel over the Cork in the Bottle," FEER, March 7, 1980, p. 4.

aggression, and ASEAN peacemakers were quickly pulled back into line. In June, ASEAN ministers met and quickly condemned Vietnamese actions in a joint statement and in a joint communiqué.<sup>42</sup> Western officials from the United States, Japan, Australia, Canada and New Zealand, invited to attend a postmeeting dialogue with ASEAN ministers, quickly recorded their abhorrence of Vietnam's actions.

Despite this mid-year setback, the search for a settlement of the Kampuchean problem has been resumed. In July, the foreign ministers of the three Indochinese states met and issued a declaration,43 point two of which included the following proposals: (1) the establishment of demilitarized zones on the border areas with supervision and control to be maintained by joint Thai and Kampuchean commissions and some form of international presence; (2) joint cooperation with international air agencies to alleviate the conditions of the refugees and an agreed upon program of repatriation; (3) aid to be distributed inside Kampuchea under a program agreed to by the Phnom Penh administration and aid agencies, the removal of refugee camps from the border, and the disarming of Pol Pot's guerrilla forces; and (4) direct government or non-government negotiations between Thailand and Kampuchea or indirect negotiations through acceptable intermediaries.

Although ASEAN ministers meeting in Manila promptly rejected the Indochinese initiatives,<sup>44</sup> there were some grounds for optimism. United Nations Secretary General Kurt Waldheim visited both Hanoi and Bangkok in August, a trip which demonstrated that despite the events of June a dialogue of sorts was still possible. Later that month United States-SRV talks on the normalization of relations resumed, another sign of progress, however slow.<sup>45</sup> In September, on the occasion of the visit to Beijing by New Zealand's Prime Minister, Chinese officials let it be known that they had dropped their demand for the complete withdrawal of Vietnamese forces as a precondition for talks on Kampuchea.

Finally, if the United Nations credentials committee votes to seat Pol Pot's Democratic Kampuchea, as seems likely, this development, while a setback to the Heng Samrin regime, will probably spur the Vietnamese to find a way out of the impasse. There are signs that the Vietnamese have taken steps in this direction by listing the questions of peace and stability in Southeast Asia on the agenda of the General Assembly. What this portends is a Vietnamese effort to raise more general issues of relevance to Southeast Asia in the hopes that a consensus on regional security issues will emerge which, in turn, will enable an eventual settlement of the Kampuchean problem. And doubt Vietnam seeks to obtain guarantees against a second Chinese invasion and a recognition of its security interests in Indochina.

Both ASEAN and the SRV have apparently reached a tacit understanding on a number of issues: Pol Pot's forces cannot be allowed to return to power in Phnom Penh; Vietnam's military must not remain in Kampuchea indefinitely; the legitimate security concerns of both Thailand and Vietnam must be taken into account; an international presence is needed on the Thai-Kampuchean border; and refugees in Thailand should be repatriated. Other important issues, such as creating a Kampuchean government via an internationally acceptable act of self-determination, remain.

As Vietnam enters the decade of the 1980's, it is Southeast Asia's beleaguered outpost of socialism. Internationally, Vietnam's anti-imperialist credentials have been tarnished by its invasion and occupation of Kampuchea. Vietnam's nonaligned image has suffered from its close ties with the Soviet Union. Vietnam also faces enormous internal problems. As time passes, however, it is becoming increasingly clear that not all these problems are the result of forces beyond the control of the Vietnamese leadership (i.e., natural disasters, the legacy of war, and aggression by Kampuchea and China). After five years of socialist construction, the party had admitted its failure to achieve the goals that it had set a half decade earlier. Plans for rapid economic development financed by large amounts of foreign aid have now been shelved. Over the next five years Vietnam faces the prospect of insufficient foreign assistance, diminished economic independence and a negligible improvement in the standard of living of the ordinary person. Unless these trends can be reversed, Vietnam is likely to become Southeast Asia's first "rice bowl Communist state without rice."

### INDONESIA

(Continued from page 193)

ly, it has been observed: "When the government sent troops to university campuses in January, 1978, it was the sons and daughters of the upholders of the New Order who were clubbed and had their arms broken;

<sup>&</sup>lt;sup>42</sup>Royal Thai Embassy, Canberra, *News Release*, July, 1980; and Commonwealth of Australia, Department of Foreign Affairs, *Backgrounder*, no. 242, July 9, 1980.

<sup>&</sup>lt;sup>43</sup>Embassy of the Lao People's Democratic Republic, Canberra, *News-Release*, August, 1980.

<sup>&</sup>lt;sup>44</sup>Commonwealth of Australia, Department of Foreign Affairs, *Backgrounder*, no, 244, August 20, 1980, p. 10.

<sup>&</sup>lt;sup>45</sup>U.S. officials, it should be noted, claimed that Vietnam exhibited an inflexible position during these talks; Don Oberdorfer dispatch from Washington in *The Age*, September 17, 1980.

<sup>&</sup>lt;sup>46</sup>See for example, Embassy of the Socialist Republic of Vietnam, Canberra, *News Bulletin*, no. 7/80, September 10, 1980, which reprints a Memorandum of the Ministry of Foreign Affairs of the Socialist Republic of Viet Nam dated August 26, 1980.

among those injured were the sons of Air Marshal Wiweko Supeno, the president-director of Garuda Indonesian Airways, and of Lieutenant General Sutopo Juwono, former head of BAKIN, the state intelligence coordinating board."<sup>10</sup>

More open debate and the growing realization that the reins of power must soon pass to a new generation of leaders are signs of a possible move toward increased democratization. The recent release of all but a few political detainees may also be a sign of reduced paranoia regarding "the Communist conspiracy." There is also a groundswell within the ranks of junior officers in the army to improve its "professionalism" and to withdraw somewhat from political and administrative involvement; an aspiration apparently espoused and encouraged by the recently appointed Armed Forces Commander and Defense Minister, Mohammad Jusuf.

<sup>10</sup>David Jenkins, "The Aging of the New Order," FEER, June 27, 1980. It might be remembered that the incident that triggered the January, 1974, "Malari" riots was the previous stepping-up of Japanese economic presence in Indonesia, as symbolized by the visit of Prime Minister Tanaka. The "rebellious youth" of today are often referred to as "the Malari generation," as distinct from "the generation of '45." The fact that this term is also used to categorize the upcoming generation of junior officers in the army gives some indication of the extent of the "new winds" of criticism and restlessness among those who will constitute tomorrow's leadership.

"See "Marching with Golkar," FEER, June 27, 1980, pp. 24-5. "Mahaenism" is an ideology conjured up by Sukarno as a eulogy to the wise and hard-working peasant. "Pancasila" (Five Pillars or Principles) was also enunciated by Sukarno (in a famous speech on June, 1945) as a national ideology to animate the independence movement. The five principles are: belief in God, as the source of both rights and duties for all human beings; humanitarianism, which must be brought to bear on all international human problems; nationalism and patriotism, as the means of unifying the people; democracy, as the means of achieving these ends; social justice as the individual and national goal. See Haryati Soebadio & C.A. du Marchie Sarvaas, eds., Dynamics of Indonesian History (Amsterdam: North-Holland Publishing, 1978), p. 270.

<sup>12</sup>Cf. ibid. The "assassination plot document" turned out to be a fabrication. The threatened reprisals against the "group of 50" included non-renewal of work permits and business licenses, cut-off from credit at state banks, nonapproval of exit permits, and exclusion from bidding on government tenders, described by Slamat Bratanata, former Minister of Mines, as "an attempt to strangle people to death by economic means." It is unclear at this time whether such measures have actually been put into effect, but they apparently indicate this to be a means of keeping potential dissidents in line, especially among retired generals and other top officials for whom perquisites at the government's discretion are an important source of livelihood and privilege. Censorship, especially of the incoming foreign press, became more stringent after the vituperative condemnation by Mohammad Jasin, former Deputy Chief of Staff of the army, whose long-standing disenchantment of the ruling elite boiled over in Parliament subsequent to Suharto's speech. Cf. Guy Sacerdoti, "Defining the Limits of Criticism," FEER, July 25, 1980.

The student demonstrations of January, 1978, occurred during the run-up to the presidential elections in March (in which Suharto was elected unopposed for another five years). The severe military response, the arrest of activist leaders and the press censorship that followed were embarrassing. In a recent celebration speech marking the 14th anniversary of the New Order under his presidency, Suharto triggered more widespread consternation by stating: "Before the New Order was born, we saw and sensed that our national ideology was submerged by various existing ideologies, whether it was Marxism, Leninism, communism, socialism, mahaenism, nationalism or religion . . . . And so there were unending rebellions" that handicapped the creation of a just and prosperous society based on Pancasila, the national ideology. "Hence the determination of the New Order to make a total correction of deviations from Pancasila and the 1945 Constitution."11 The inclusion of "nationalism" and "religion" in the otherwise familiar list of anathemas totally amazed and alarmed wide sections of the community, including Muslims, Christians and military leaders proud to list themselves as "nationalists." A petition was lodged with Parliament, signed by a group of 50 prominent citizens as a "statement of concern" that Suharto had falsely interpreted Pancasila.

The situation was exacerbated by the reaction of General Yoga, head of BAKIN (the state intelligence coordinating board), who summoned leading editors to a press briefing to announce that the "group of 50" were now under 24-hour surveillance and would be subject to administrative reprisals, that a document had been unearthed detailing a plot to assassinate Suharto and 75 others, and that editors were to exercise restraint in reporting subversive dissent (for which he coined the novel term "an attempted constitutional coup d'etat,").12 Later efforts were made to tone down the alarmism. The editors took the briefing with amused incredulity for the most part, but the move toward "democratization" suffered a setback, and the international financial community reviewed its Indonesian portfolios.

Deeper concern attaches to the coopting of Pancasila as some apparently revised New Order ideology (excluding "religion," "nationalism" and "mahaenism"), deviations from which will be subject to "total correction," presumably with the use of military force where this is necessary. It had been hoped that the link forged between the army and Golkar (the political support agency for Suharto followers which was active in securing 232 out of the 360 electoral seats in Parliament in the last election in 1977) might be dissolved, and the screening requirement for candidates by the Ministry of Home Affairs might be relaxed, by the time of the next elections

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# THE MONTH IN REVIEW

A Current History chronology covering the most important events of October, 1980, to provide a day-by-day summary of world affairs.

### INTERNATIONAL

### Afghanistan Crisis

(See also U.S.S.R.)

Oct. 2—In Pakistan, Afghan guerrilla leaders report a new Soviet offensive in the Kunar Valley, along the Pakistan-Afghanistan border.

### **Amazon Basin Accord**

Oct. 29—It is announced in Rio de Janiero that the 8 Amazon Basin countries, Bolivia, Colombia, Ecuador, Guyana, Peru, Suriname, Brazil and Venezuela, meeting in Belém, Brazil, have signed an accord calling for the careful ecological development of the Amazon basin.

### Arms Control.

Oct. 6—Britain, the Soviet Union and the United States begin talks in Geneva about a treaty that would stop all nuclear testing.

Oct. 10—A 72-nation, 4-week conference ends in Geneva after adopting 3 protocols designed to help protect civilian populations in non-nuclear conflicts.

Oct. 17—U.S. and Soviet negotiators meet in Geneva to discuss the curbing of strategic nuclear missiles and bombers in Europe.

### International Terrorism

Oct. 12—A group calling itself the Armenian Justice Committee claims credit for a bomb blast in New York City in front of the Turkish Center near the U.N. and an explosion in a vacant building in Los Angeles.

In London, a group calling itself the Armenian Secret Army claims responsibility for 2 bomb blasts; no one was injured.

### Iran Crisis

Oct. 2—In Teheran, Parliament selects 7 Islamic fundamentalists to serve on a special commission to determine the conditions for the release of the U.S. hostages.

Oct. 26—The special commission on the hostages presents its report to Parliament, which is meeting in private session.

Oct. 30—Speaker of the Parliament Ayatollah Hashemi Rafsanjani cancels Parliament's public session on the hostages because hard-line members of Parliament boycott the session and a quorum is not present; the hard-liners want debate postponed until after the U.S. presidential election.

Oct. 31—In a Teheran radio broadcast message to Parliament Ayatollah Hussein Ali Montazeri, a senior Islamic cleric, says that members boycotting the opening session of debates on the American hostages are not acting in accord with "the Muslim and revolutionary people in Iran." A Teheran radio broadcast says it is time to release the hostages.

### Middle East

Oct. 15—At the conclusion of 2 days of talks in Washington, D.C., among Egyptian, Israeli and U.S. negotiators,

U.S. special Middle East negotiator Sol M. Linowitz reports progress toward an agreement between Israel and Egypt on Palestinian self-rule on the West Bank and the Gaza Strip; the negotiations will resume in Egypt or Israel November 17.

### North Atlantic Treaty Organization (NATO)

Oct. 3—Turkey's Deputy Prime Minister Turgut Ozal says that his government will agree to Greece's reentry into NATO's military command but will not grant Greece exclusive control of the Aegean Sea.

Oct. 16—The U.S. Boeing Company announces that it signed a contract last month to sell NATO 18 Airborne Warning and Control System (Awacs) aircraft worth \$1.47 billion.

Oct. 20—NATO Secretary General Joseph M. Luns announces that Greek military forces will rejoin NATO after a 6-year absence that protested the 1974 Turkish invasion of Cyprus.

# Organization of Petroleum Exporting Countries (OPEC)

Oct. 8—Because of the war between Iran and Iraq, the Iraqi embassy in Vienna announces that the OPEC summit meeting scheduled for November in Baghdad has been indefinitely postponed.

### Persian Gulf Crisis

Oct. 1—In a letter to the U.N. Security Council, Iranian President Abolhassan Bani-Sadr says that Iran cannot consider the Security Council's call for an end to the fighting as long as Iraqi forces remain in Iran.

Pakistani President Mohammad Zia ul-Haq reports to the U.N. General Assembly on his peace-seeking mission to the Persian Gulf area.

U.S. Secretary State of State Edmund S. Muskie sends a message to the Iranian government through the Swiss embassy emphasizing U.S. neutrality in the fighting in the Gulf; the message is sent because the recent U.S. decision to send the Airborne Warning and Control Systems (Awacs) to Saudi Arabia might be misconstrued by Iran or the Soviet Union.

Oct. 3—Iraq continues its assault on Khurramshahr, the Iranian oil port, although it claimed to have captured it a week ago. Heavy fighting continues around Abadan, Iran's oil refinery center; Ahwaz, the capital of the oil province of Khuzistan; and Dizful, a garrison about 90 miles to the north of Abadan.

Oct. 5—Jordanian King Hussein arrives in Baghdad for a conference with Iraqi President Saddam Hussein.

Oct. 6—Hussein orders the mobilization of all transport vehicles to transport food and supplies to the Iraqi army.

Oct. 7—In Washington, D.C., Deputy Secretary of State Warren M. Christopher says that the U.S. is willing to supply radar surveillance planes and other defensive equipment to nations of the Persian Gulf if they request it and if they promise to remain neutral.

Oct. 8—In Washington, D.C., U.S. Secretary of the Treasury G. William Miller says that Saudi Arabia, the United Arab Emirates, Qatar and Bahrain have agreed to in-

crease oil production in order to make up for the oil not being shipped from Iran and Iraq.

Survivors of yesterday's attack on foreign ships at Khurramshahr report that Iranian troops shelled and set fire to 5 foreign cargo ships at the oil port; 20 people were killed and 3 ships were sunk in the attack.

- Oct. 9—Pars, the Iranian press agency, says Iraq is using surface-to-surface missiles in the attacks on Iranian cities.
- Oct. 10—In a letter sent to Saudi Arabia and other Arab countries, Libyan leader Colonel Muammar el-Qaddafi calls on the Arab Muslim nations to support the Muslims of Iran.
- Oct. 11—Iraqi military sources report that Iraqi troops and tanks have crossed the Karun River on pontoon bridges and are preparing for a major assault on the refining complex at Abadan.
- Oct. 17—In the U.N. Security Council, Iranian Prime Minister Mohammed Ali Rajai addresses the Security Council and charges that Iran is being victimized by U.S.-inspired aggression in the Gulf area; Iran has boycotted the Security Council since November, 1979.
- Oct. 25—In Baghdad, Iraqi Foreign Minister Saadun Hamadi warns the U.S. against building "serious, friendly relations" with Iran. Hamadi's remarks are made in response to recent reports of a U.S.-Iran bargain to exchange the U.S. hostages for the delivery of alreadypaid-for military spare parts.
- Oct. 26—Teheran radio reports that an Iraqi rocket attack on Dizful has resulted in the deaths of more than 100 civilians; Dizful lies at the junction of major oil pipelines running north from Khuzistan and has one of the largest air bases in the Middle East.
- Oct. 27—Teheran radio confirms reports that Iraqi forces have taken key positions in Khurramshahr; heavy fighting continues around Abadan.

### **United Nations**

(See also Intl, Persian Gulf Crisis)

- Oct. 9—Meeting in Belgrade, the United Nations Educational, Scientific and Cultural Organization (UNESCO) approves a budget of \$625.37 million for 1981-1983, voting 115 to 5 in favor, with 16 abstentions.
- Oct. 13—The General Assembly rejects a Soviet move to eject representatives of the ousted Cambodian government of Pol Pot, voting 74 to 35 with 32 abstentions.
- Oct. 19—In Athens, a week-long U.N.-sponsored conference of 12 of the 18 Mediterranean countries and the European Common Market ends. Conferees agree to establish areas designed for the protection of marine life; they accept a draft of a Mediterranean area treaty.
- Oct. 22—The General Assembly votes 97 to 23 with 22 abstentions to call for the withdrawal of Vietnamese troops from Kampuchea.
- Oct. 24—A U.N. mission to South Africa ends talks with South African officials in Pretoria after failing to reach agreement on a date for a cease-fire in South-West Africa (Namibia).
- Oct. 25—The 21st UNESCO conference in Belgrade adopts an ambiguous resolution creating a new world information order under UNESCO. Western nations reluctantly agree to the resolution; they fear that UNESCO may restrict the free flow of world news.
- Oct. 28—The UNESCO conference in Belgrade ends after 5 weeks.

### **Warsaw Pact**

Oct. 20—The members of the Warsaw Pact military alliance conclude a 2-day meeting in Warsaw.

# World Bank (International Bank for Reconstruction and Development)

Oct. 30—Bank of America president A. W. Clausen is nominated by U.S. President Jimmy Carter to succeed Robert S. McNamara as president of the World Bank.

### **AFGHANISTAN**

(See Intl, Afghanistan Crisis)

### **ALGERIA**

Oct. 11—The Algerian Red Crescent estimates the number of dead in yesterday's severe earthquakes at between 5,000 and 25,000; more than 200,000 are left homeless; the town of Al Asnam, about 100 miles southwest of Algiers, is destroyed.

Oct. 30—Former President Ahmed Ben Bella is released after 15 years in prison or under house arrest.

### **ARGENTINA**

Oct. 3—The military junta names Roberto Eduardo Viola, former commander in chief of the armed forces, to succeed President Jorge Rafael Videla when he retires from office in March, 1981.

### **AUSTRALIA**

Oct. 19—In yesterday's national election, Prime Minister Malcolm Fraser's Liberal party is returned to office.

### **BELGIUM**

- Oct. 7—King Baudouin accepts the resignation of Prime Minister Wilfried Martens and asks Martens to form a new government; Martens resigned because his Cabinet was unable to reach consensus on the social security system.
- Oct. 22—Caretaker Prime Minister Martens forms a new coalition government.

### **CANADA**

- Oct. 6—Parliamentary debate begins on Prime Minister Pierre Elliott Trudeau's resolution to patriate and amend the constitution despite the objections of the provincial premiers.
- Oct. 14—5 provincial premiers announce their intention to ask the courts to decide the legality of Prime Minister Trudeau's effort to change the constitution.
- Oct. 28—Finance Minister Allan MacEachen presents his government's budget and energy proposals to Parliament; the government is asking for the right to increase the share of PetroCanada, the national oil company, from 25 percent to 50 percent of the nation's oil industry. The proposals also call for increased taxes on domestic and foreign sales of gas.

### **CHINA**

(See also U.S., Foreign Policy)

- Oct. 15—The government officially protests the October 2 signing of an agreement between the American Institute in Taiwan and the Taiwan Coordination Council for North American Affairs; Deputy Foreign Minister Zhang Wenjin says the accord betrays principles established between the U.S. and China.
- Oct. 16—In Washington, D.C., the U.S. Energy Department reports that China set off an atmospheric nuclear explosion today, the first such test since 1978.
- Oct. 17—In Beijing, visiting French President Valéry Giscard d'Estaing says that China has agreed in principle

to purchase 2 atomic reactors from France for nuclear-powered generating stations.

### **COLOMBIA**

Oct. 21—In Medellín, federal Judge Ana Cecilia Cartagena is shot and killed by terrorists; she is the eighth judge murdered this year.

### **CUBA**

Oct. 27—As an act of goodwill, the government releases 33 U.S. citizens from prison and flies 30 of them to Miami; the other 3 choose to remain in Cuba.

### **EGYPT**

(See Intl, Middle East; Israel)

### **EL SALVADOR**

- Oct. 7—In San Salvador, the body of Human Rights Commission spokesman Maria Magdalena Henriques is found; she was shot four times.
- Oct. 26—In San Salvador, Ramón Valladares, administrator of the national Human Rights Commission, is assassinated by terrorists.
- Oct. 30—In Lima, Peru, government representatives from Honduras and El Salvador sign a treaty restoring diplomatic relations, which were broken in 1969; they call for a resolution of the 11-year-old-border dispute.

### **FRANCE**

(See also China)

- Oct. 3—In Paris, a bomb explodes outside a synagogue; 4 people are killed and 12 are injured. President Valéry Giscard d'Estaing calls for a thorough investigation of the bombing.
- Oct. 22—President Giscard returns from a 4-day official visit to China.

### **GERMANY, EAST**

- Oct. 9—The government increases the foreign exchange fees required when foreigners visit; West German officials criticize the increase in fees as a way to reduce the number of West German visitors.
- Oct. 28—The government imposes strict restrictions on travel between East Germany and Poland.

### **GERMANY, WEST**

(See also East Germany)

Oct. 5—In today's national elections, Chancellor Helmut Schmidt and his coalition government of Social Democrats and Free Democrats are returned to power with an increased majority in the lower house of Parliament.

### **GREECE**

(See Intl, NATO)

### **GUYANA**

Oct. 6—Prime Minister Forbes Burnham becomes President under a new constitution that goes into effect today.

### **HONDURAS**

(See El Salvador)

### INDIA

Oct. 27—In Assam, following the breakdown of talks between Assamese representatives and Home Minister Giani Zail Singh, protest leaders call for a 1-day general strike to demand the expulsion of Bengalese immigrants.

### **IRAN**

(See also Intl, Iran Crisis, Persian Gulf Crisis)

Oct. 31—In Cairo, ex-Crown Prince Riza Pahlevi declares himself the "lawful King of Iran" on his 20th birthday. In Washington, D.C., U.S. State Department spokesman John H. Trattner says the U.S. considers the present Iran government the legal one.

### **IRAQ**

(See Intl, Persian Gulf Crisis)

### **ISRAEL**

(See also Intl, Middle East; U.S., Foreign Policy)

- Oct. 6—Prime Minister Menachem Begin allows 2 militant Palestinian mayors to return to the West Bank to appeal their deportation.
- Oct. 16—Military authorities in the Gaza Strip release 36
  Palestinian prisoners and reduce the sentences of 21
  others
- Oct. 20—Military authorities reject the appeal of 2 Palestinian mayors that they be permitted to return to the West Bank.
- Oct. 22—Israeli jets stage a 2d preemptive strike against Palestinian guerrillas in southern Lebanon this week; 10 people are reported killed.
- Oct. 26—President Yitzhak Navon arrives in Cairo in the first visit by an Israeli head of state to an Arab nation.

### **ITALY**

- Oct. 2—At the request of President Sandro Pertini, Arnaldo Forlani, former Foreign Minister and president of the Christian Democratic party, agrees to try to form a new government.
- Oct. 17—The 35-day old strike at the Fiat Motor Company ends when the unions agree to a settlement in which 23,000 workers will be dismissed but will be subsidized by the state.
- Oct. 18—Arnaldo Forlani forms a four-party coalition government, including Christian Democrats, Socialists, Social Democrats and Republicans.
- Oct. 25—The Chamber of Deputies approves Prime Minister Forlani's Cabinet.

### **JAMAICA**

Oct. 31—In yesterday's nationwide general election, Jamaica Labor party leader Edward P.G. Seaga wins an overwhelming victory over Prime Minister Michael N. Manley.

### **JORDAN**

(See also Intl, Persian Gulf Crisis)

Oct. 11—King Hussein's scheduled visit to Moscow is postponed.

### KAMPUCHEA (Cambodia)

(See Intl, U.N.)

### KOREA, SOUTH

Oct. 23—In yesterday's referendum, voters overwhelmingly approve a new constitution.

### LAOS

Oct. 20—Deputy Information Minister Sone Khamvanevongsa reports the discovery of an anti-government conspiracy by pro-Chinese officials; more than 500 people are arrested in an apparent purge.

### **LEBANON**

- Oct. 17—Government officials report that 8 civilians were killed and 10 were wounded in the recent Israeli air strikes in southern Lebanon.
- Oct. 21—President Elias Sarkis asks former Minister of Justice Shafiq al-Wazan to form a new government. Selim al-Hoss has continued as caretaker Prime Minister since his resignation 4 months ago.
- Oct. 25—Newly appointed Prime Minister Shafiq al-Wazan announces the composition of his new Cabinet.
- Oct. 30—After 3 days of fighting, Maronite Catholic militiamen eliminate remnants of former President Camille Chamoun's forces from a Beirut suburb.

### LIBYA

(See Saudi Arabia)

### **MOROCCO**

Oct. 11—In Rabat, King Hassan offers to arm the civilian population of 3 Moroccan provinces that border Algeria; on October 9, Algerian-backed Polisario Front guerrillas attacked a frontier outpost in territory that had not previously been disputed.

### NAMIBIA (South-West Africa)

(See Intl, U.N.)

### **NIGERIA**

Oct. 7—In Washington, D.C., President Shehu Shagari meets with U.S. President Jimmy Carter.

### **PANAMA**

Oct. 10—According to an official count of 90 percent of the votes, the Democratic Revolutionary party won 10 of the 19 seats on the executive council of the National Legislature (the upper house) in the September 28 parliamentary elections.

### **PHILIPPINES**

Oct. 20—30 people are named in an arrest warrant for the bombing last night at a convention in Manila attended by President Ferdinand E. Marcos, U.S. Ambassador Richard W. Murphy, and delegates to the American Society of Travel Agents; among the 30 are 4 former Senators and other political opponents of Marcos's.

### POLAND

- Oct. 1—In Gdansk, First Deputy Prime Minister Mieczyslaw Jagielski meets with trade union leaders to forestall a threatened 1-day strike protesting the government's reluctance to grant wage increases.
- Oct. 3—In defiance of the government, workers throughout the country stage a 1-hour strike.
- Oct. 6—Following 2 days of debate, the Polish Communist party's central committee expels 8 members, including 6 close associates of former Prime Minister Edward Gierek.
- Oct. 8—Prime Minister Jozef Pinkowski announces the dismissal of 6 Cabinet ministers; 17 officials have been dismissed because of the recent labor unrest.
- Oct. 24—A Warsaw court registers the independent union, Solidarity, but attaches a statement to the union charter declaring that the union recognizes the "leading role" of the Communist party. Union leaders says they will disregard the court's action and appeal the ruling.
- Oct. 27—In Gdansk, Solidarity leaders ask Prime Minister Pinkowski to come to the Lenin Shipyard to discuss the

- recent court move or face the possibility of a strike.
- Oct. 28—Union leaders agree to go to Warsaw to meet with the Prime Minister.
- Oct. 30—Prime Minister Pinkowski and Communist party leader Stanislaw Kania arrive in Moscow for talks with Soviet President Leonid I. Brezhnev.
- Oct. 31—Union leaders meet with the Prime Minister in Warsaw; it is reported that agreement has been reached on critical issues.

### **PORTUGAL**

Oct. 7—Election returns from the October 5 parliamentary elections give Prime Minister Francisco Sá Carneiro and his Democratic Alliance 134 seats in the 250-member Parliament, an increase of 6 seats; the Alliance of the People United (Communist), led by Alvaro Cunhal, lost 6 seats, winning 41.

### SAUDI ARABIA

(See also Intl, Persian Gulf Crisis; U.S., Foreign Policy)

Oct. 28—The government breaks diplomatic relations with Libya, which (with Syria) is supporting Iran in the continuing war in the Persian Gulf.

### SOMALIA

Oct. 20—In Mogadishu, President Mohammed Siad Barre declares a state of emergency for an undetermined period to put down dissidents.

### **SOUTH AFRICA**

- Oct. 2—Prime Minister P. W. Botha names 54 people to serve on the newly created President's Council, to replace the upper house of Parliament; the council includes whites, coloreds and Asians, but not blacks.
- Oct. 15—In Soweto, more than 3,000 demonstrators protest the choice of Plural Relations Minister Piet Koornhof as an honorary citizen of Soweto.

### **SRI LANKA**

Oct. 16—Former Prime Minister Sirimavo Bandaranaike is expelled from Parliament and her civil rights are revoked. On October 14, the government charged Bandaranaike and her opposition party of urging its followers to try to kill the President and the Prime Minister.

### **SYRIA**

(See Saudi Arabia; U.S.S.R.)

### **TAIWAN**

(See China)

### **TANZANIA**

- Oct. 26—Nationwide parliamentary elections are held; in a referendum, President Julius K. Nyerere is approved for a final 5-year term.
- Oct. 30—Vice President Aboud Jumbe is sworn in as the first elected President of the semiautonomous nation of Zanzibar after he receives 93.6 percent of the vote.

### **TURKEY**

(See also Intl, NATO)

- Oct. 3—The military announces the arrest of 8 leftist guerrillas for the murder of former Prime Minister Nihat Erim in July, 1980.
- Oct. 8—The government ratifies a prisoner exchange treaty with the U.S.; 4 Americans are known to be in Turkish jails.

- Oct. 11-Former Prime Ministers Suleyman Demirel and Bulent Ecevit are released from custody; 61 members of Parliament are freed. They were detained on September 12 when the military assumed power.
- Oct. 14—General Kenan Evren announces that the military will not return the government to civilian control until anarchy has ended.
- Oct. 15-The martial law command announces that a military court has reversed an earlier court decision and orders the arrest of Islamic fundamentalist party (National Salvation party) leader Necmettin Erbakan and 2 members of its executive committee.
- Oct. 25—The U.S. government agrees to postpone payments on a loan of \$350 million owed by Turkey until the end of June, 1981.
- Oct. 27—The National Security Council approves a provisional constitution granting the military leaders unlimited powers until a new constitution is formulated.
- Oct. 30—Former Prime Minister Bulent Ecevit resigns as leader of the Republican People's party to protest the current regime's ban on political activities.

### U.S.S.R.

(See also Intl, Arms Control; Poland)

- Oct. 8-In Moscow, President Leonid I. Brezhnev and Syrian President Hafez al-Assad sign a 20-year treaty of
- Oct. 11-2 Soviet astronauts, Lieutenant Colonel Leonid Popov and flight engineer Valery Ryumin, return to earth in their Soyuz 35 spacecraft after setting a record of 185 days in space.
- Oct. 16-In Moscow, Afghan President Babrak Karmal is welcomed by Soviet President Brezhnev.
- Oct. 21—In an address to the Central Committee, President Brezhnev says the country is still unable to meet all the food needs of its cities and industrial centers.
- Oct. 23—President Brezhnev tells the Supreme Soviet that Prime Minister Aleksei N. Kosygin has resigned because of poor health; First Deputy Nikolai A. Tikhonov is named to succeed Kosygin.

### UNITED KINGDOM

### **Great Britain**

(See also Intl, Arms Control)

Oct. 15-Former Prime Minister James Callaghan resigns as leader of the Labour party.

### Northern Ireland

Oct. 23—Partly in response to a threatened hunger strike, the government says it will no longer force terrorists imprisoned in Northern Ireland to wear denim prison uniforms; the inmates of Maze Prison near Belfast have been wearing blankets instead of prison uniforms for 4 years as part of a campaign to be recognized as prisoners of war, not as criminals.

### UNITED STATES

### Administration

Oct. 1—In a memorandum, President Jimmy Carter issues guidelines for government officials dealing with members of the President's family in matters of "potential economic value."

The U.S. Court of Appeals for the Second Circuit in Manhattan issues a 19-page decision upholding a lower court ruling (stayed until this decision) that television stations may copy and broadcast the audio and videocassettes introduced as evidence in the Abscam bribery trial that resulted in the August 30 conviction of

Representative Michael J. Myers (D., Pa.) and 3 others. Oct. 3—President Carter signs an executive order that will permit the payment of variable housing allowances to military personnel for off-base quarters.

Director of the Census Bureau Vincent P. Barabba asks the Justice Department to appeal last week's decision handed down by U.S. district court Judge Horace W. Gilmore in Detroit which, in effect, invalidates the 1980 census; he claims "there is no feasible statistically defensible method to measure" the undercounting of · blacks and Hispanics.

Oct. 5—Representatives of the U.S. and of the Federated States of Micronesia, Palau and the Marshall Islands conclude 5 days of negotiation in Hawaii over the future political status of these islands, which are part of the U.S. Trust Territory of the Pacific Islands.

Oct. 29-Former Central Intelligence Agency (CIA) contract agent David H. Barnett pleads guilty to 1 count of violating the Espionage Act by selling information to the Soviet Union about a covert CIA operation; by agreeing to plea-bargaining on this count, the government has avoided disclosing additional sensitive information in a

For the 1st time since leaving the presidency, Richard M. Nixon appears in U.S. district court in Washington, D.C., where he testifies as a rebuttal prosecution witness in the trial of 2 former Federal Bureau of Investigation (FBI) officials.

### Economy

(See also Labor and Industry)

Oct. 3—The Department of Labor reports that its producer price index declined 0.2 percent in September.

The Labor Department reports that the nation's unemployment rate dropped slightly to 7.5 percent in September.

- Oct. 17—The Commerce Department reports that the gross national product (GNP) rose at a 1-percent annual rate in the 3d quarter of 1980.
- Oct. 24—The Labor Department reports that the consumer price index rose 1 percent in September.
- Oct. 28—The Commerce Department reports a \$1.64billion deficit in the U.S. balance of trade for September.

Oct. 29—Many of the nation's largest banks raise their prime rate to 14.5 percent.

The Treasury Department and the Office of Management and Budget publish the final budget figures for fiscal 1980 showing a deficit of \$59 billion, more than twice the figure estimated in January, 1979.

Oct. 30—The Commerce Department reports that its index of leading economic indicators rose 2.4 percent in September.

### Foreign Policy

(See also Intl, Arms Control, Iran Crisis, Middle East, Persian Gulf Crisis; Cuba; Nigeria; Turkey)

- Oct. 5—Secretary of Defense Harold Brown reports that about 100 support personnel and additional radar and communications equipment are being sent to join some 300 Americans already in Saudi Arabia to service the 4 Awacs surveillance planes sent to Saudi Arabia in September.
- Oct. 6-President Carter discloses that in the last 10 days he has exchanged letters with Soviet President Leonid I. Brezhnev about the Iraq-Iran war.
- Oct. 17-In the White House, Secretary of State Edmund S. Muskie and Israeli Energy Minister Yitzak Modai sign a 14-year agreement that guarantees oil to Israel in 3 different types of emergency.

- Oct. 22—In Beijing, Ambassador Leonard Woodcock and Chinese Foreign Trade Minister Li Qiang sign a bilateral trade agreement under which the U.S. will sell China between 6 and 8 million metric tons of grain a year for the next 4 years.
- Oct. 24—U.S.-Japanese trade talks in Tokyo end without major agreement.
- Oct. 25—The White House discloses that President Carter has rejected a Saudi Arabian request for equipment that would enable 60 American-built Saudi F-15 fighters to undertake long-range offensive missions.

### Labor and Industry

Oct. 28—The Ford Motor Company reports a 3d quarter loss of \$595 million, the largest quarterly loss ever reported by an American company.

### Legislation

Oct. 1—At Niagara Falls, New York, President Carter signs a bill pledging the federal government to pay 90 percent of the cost of cleaning up the nuclear waste storage site at West Valley, New York, and an agreement to help pay to clean up the Love Canal area at Niagara Falls.

After a Senate amendment limiting abortion funding is approved by voice vote, a resolution authorizing federal agencies to continue spending in the fiscal year 1981 that begins today is sent to President Carter, who signs the resolution, allowing the federal government to meet its payroll.

President Carter signs a \$12.1-billion appropriation bill for energy and water projects for fiscal year 1981. The bill provides funds for 3 dams the President refused to fund in 1977 and restores \$111 million he cut from public works projects in March.

Oct. 2—The House completes congressional action and sends the President legislation establishing special procedures to deal with secret government information in criminal trials.

The House votes 376 to 30 to expel Michael J. Myers (D., Pa.), who was convicted of bribery in September.

After a 9-week investigation, a special Senate subcommittee concludes that although there was no evidence of illegal or clearly unethical conduct on the part of government officials, both President Carter and high officials of the government exercised poor judgment in their treatment of Billy Carter's dealings with Libya.

Congress adjourns for a 5-week election recess.

Oct. 3—President Carter signs a group of education bills expanding elementary and secondary school programs and authorizing \$48 billion over a 5-year period for student loans and grants.

Oct. 7—President Carter signs the Magnetic Fusion Energy Engineering Act, which calls for the establishment of a National Center for Fusion Engineering and envisages an expenditure of \$20 billion on research and development of fusion technology.

President Carter signs the 1980 Mental Health Systems Act, which has been termed a major reorganization of federal aid programs for mental health services.

Oct. 8—President Carter signs the Housing and Community Development Act of 1980; the law includes a \$31.2-billion, 30 percent expansion of the low-income and moderate-income assisted housing programs of the Department of Housing and Urban Development.

Oct. 13—President Carter signs the Privacy Protection Act of 1980, forbidding surprise searches of newsrooms and protecting authors, scholars and others writing for publication from unauthorized search.

Oct. 14—President Carter signs legislation partly deregulating the railroad industry; railroads gain flexibility in setting their rates within certain limits.

Oct. 15—The President signs a law dividing the U.S. Court of Appeals for the Fifth District into two circuits; the Fifth Circuit will include Louisiana, Mississippi, Texas and the Canal Zone; the new 11th Circuit will include Alabama, Georgia and Florida.

### Military

Oct. 29-The Defense Department discloses that between 10 and 14 additional nuclear warheads will be carried by submarine-launched Poseidon missiles.

### **Political Scandal**

Oct. 7—In U.S. district court in Washington, D.C., a jury finds Representative John W. Jenrette, Jr. (D., S.C.), and co-defendant John R. Stowe guilty of bribery and conspiracy charges arising out of the Federal Bureau of Investigation's (FBI's) Abscam operation.

Oct. 30—In Brooklyn, a federal grand jury indicts Senator Harrison A. Williams (D., N.J.) and 3 associates on charges resulting from the Abscam investigations.

### **Politics**

- Oct. 14—In Los Angeles, Republican candidate Ronald Reagan says that, if elected, he will nominate a woman to fill "among the first Supreme Court vacancies in my administration."
- Oct. 28—In Cleveland, President Jimmy Carter and Republican challenger Ronald Reagan meet in a 90-minute nationally televised debate sponsored by the League of Women Voters.
- Oct. 30—Richard V. Allen withdraws as chief foreign policy adviser to Republican presidential candidate Ronald Reagan because of allegations that he used his position as a foreign policy adviser during the presidency of Richard Nixon for personal profit.

### **Supreme Court**

- Oct. 6—The Supreme Court opens a new term; 28 out of some 1,000 petitions for review are placed on the docket as the term opens.
- Oct. 14—Upholding 2 lower courts, the Supreme Court refuses to grant a stay of U.S. district and appeals court decisions permitting news media to copy and broadcast tapes used in the 1st Abscam trial.
- Oct. 20—The Supreme Court leaves unchanged a National Labor Relations Board order obliging the J. P. Stevens Company to give union organizers broadened access to its 81 plants.
- Oct. 24—Supreme Court Justice William J. Brennan issues a temporary stay of a U.S. Court of Appeals for the First Circuit decision permitting the transfer of some hundreds of Cuban and Haitian refugees to the Fort Allen military base in Puerto Rico.

### ZAMBIA

Oct. 27—President Kenneth D. Kaunda accuses South Africa of encouraging Zambian and Zairian dissidents to plot to overthrow his government.

### ZIMBABWE

Oct. 1—1,100 members of Prime Minister Robert Mugabe's Zimbabwe African National Liberation Army (ZANU) arrive in Chitungwiza from guerrilla cease-fire assembly camps; they are to be relocated in Salisbury township.

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(scheduled for 1982, followed by the presidential election in 1983).<sup>13</sup> Suharto seemed to be saying that this would not be the case, and was signaling his intention to preserve the integrity of "Pancasila" by continuing in office, at least until 1988.

### CONCLUSION

Hopes for a phased withdrawal of the military from partisan association with particular political groups and from being a "dead tool" in the hands of civilian government,14 had received much fillip from the surprise appointment of General Jusuf in April, 1979, after 13 years of non-military work, most recently as Minister of Industry.<sup>15</sup> His immediate burst of "barrackroom-storming," his concern for the lot of the ordinary soldier, his clean broom approach to corruption and mismanagement, and his "disarming frankness" during the year's interim make him a frequent suggestion as Suharto's successor (though his non-Javanese origins and devout Muslim beliefs would run counter to such expectations, and Jusuf has disclaimed presidential aspirations). Although also of "the generation of '45," he is undertaking a systematic reform program at all levels of Indonesia's 270,000 army personnel, and has "tipped the scales" in favor of the "Magelang generation." It remains to be seen whether he is able to fulfill the brave promise

<sup>13</sup>See Rodney Tasker, "Democracy and the New Order," *FEER*, January 5, 1979. An additional 100 seats in Parliament are filled by the President to represent the armed forces, whose members are not allowed to campaign or vote. See R. William Liddle, "The 1977 Indonesian Election and New Order Legitimacy," *Southeast Asian Affairs*, 1978 (Singapore: Institute of Southeast Asian Studies, 1978).

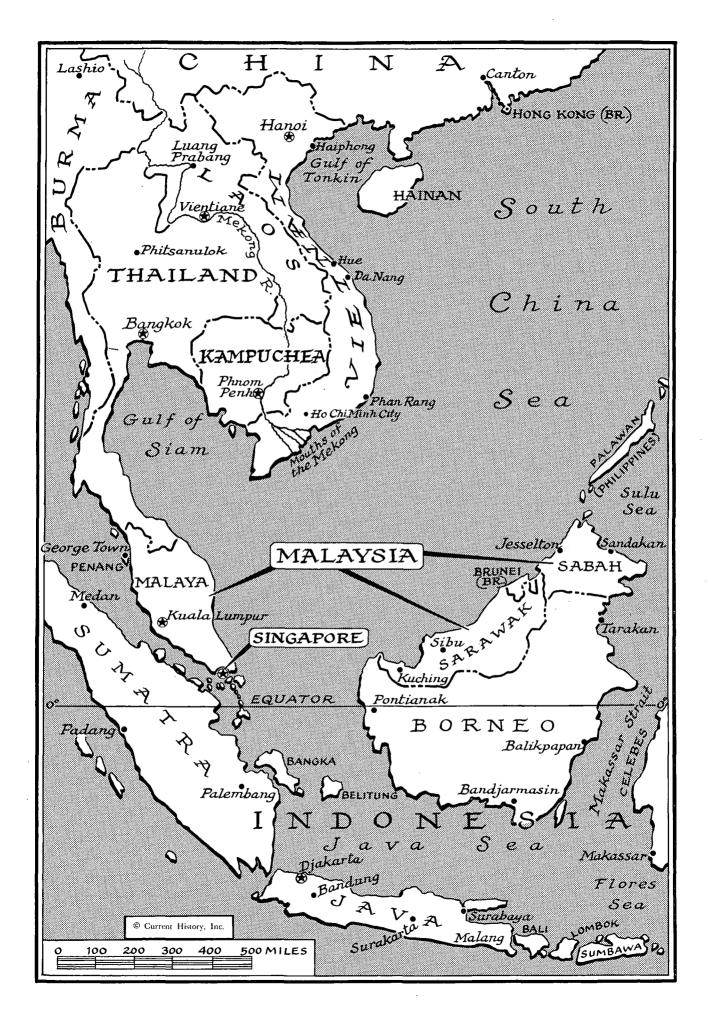
<sup>14</sup>This is General A.H. Nasutian's term, in his "middleway" speech in 1958, outlining what above all should be avoided in devising and administering an appropriate role for the military in Indonesia's future.

<sup>15</sup>See David Jenkins, "Gen. Jusuf: A Man from the Past Leads the March to the Future," *FEER*, March 2, 1979. that many invest in his potential for upgrading and professionalizing the armed forces, taking a middle-of-the-road neutral yet stabilizing posture, and acting as a mediator in the event of a struggle for succession of a "young Turk" or "old guard" coup.

The legacy of events in East Timor, the uneasy situation in Irian Jaya, and the periodically resurgent "secessionist sentiments" elsewhere in the Outer Islands will also call for careful handling and the build-up of mutual respect and loyalty between the military and the public.

In Asia, east of the Sea of Araby, Indonesia is often portrayed as the "brightest bonanza in the firmament" for multinationals seeking to find mutual self-interests with decision-makers in LDC's to promote "accelerated resource development and modernization." They are very good at what they do, and are often indispensable, even to countries like China, intent upon mobilizing their resources for particular purposes. The "free floating" nature of the social dividend that they split with host nations, especially where it accrues largely as rents from rich bonanzas, should be a definite advantage to planners seeking to mobilize resources for the difficult (sometimes not "directly productive") effort to eradicate poverty.

Obviously this needs political will, some concept of a workable strategy, and an administrative or resource-disbursing institutional framework that extends down to the poor people. These generalizations appear self-evident, and yet a block seems to arise in devising the means to bring it off. Intricate and often hidden mechanisms come into play that lay claim to the surplus and commit it to other uses, the priority to "redistribute" is postponed, or hope is expressed that inequities will in the end be somehow "self-correcting" if only the economy grows fast enough. Commitments to expenditure build up faster than even the most extraordinary rush of revenues. Like Alice in Wonderland, one has to run faster and faster just to stay, more or less, in the same place.



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# Current History

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How has China revised her modernization goals? How have PRC leaders revised their policies toward the industrialized democracies and toward the other nations of Asia? In this issue, eight specialists evaluate developments in mainland China as it moves into the 1980's. Our introductory article notes that "In the three-sided struggle with Washington and Moscow, Beijing has already revealed its strategy: to use the Americans to fend off the Russians and to help build up China's economy and then, when the time is right, to strike a bargain with the Kremlin. . . [In this event] it could play off the superpowers in the realm of military-security politics, thereby restoring the freedom of maneuver it lost in 1950. And it could argue, increasingly successfully, that not only Southeast Asia but all of Asia should be led by the Asian superpower, China."

# China's Asia Policy

BY THOMAS W. ROBINSON

Professor of International Relations, National Defense University, Washington, D.C.

HINA's policy toward Asia in the late 1970's and early 1980's is relatively easy to follow. Because its present leaders consciously eschew the often extreme policies of Mao Zedong and follow a more nearly rational course, Beijing's foreign policy reflects its domestic political and economic situation. Because of the country's relative weakness vis-à-vis the United States and the Soviet Union, its foreign policy orientation depends on who China perceives as the greater immediate enemy and whether it is possible to compromise, temporarily, with the lesser enemy. Further, like all other states, China is subject to the influence of long-term secular changes in the character of the international system and must adjust its policies accordingly.

These are hardly startling propositions, since they differ only in detail from the statements that can be made about most other states.

But in China's case, with barely 30 years of Chinese Communist foreign policy to draw on and in light of the withdrawal of the Maoist factor, a comparative analysis of Chinese foreign policy has been possible only recently. Were a strong "ideological" factor to reappear in China and "skew" Beijing's attitudes toward the outside world, confusion and uncertainty would recur. That would probably also be true were China to fall back under one-man leadership, for then the peculiarities of personality would make analysis difficult. But that is not so now. For the first time since the early 1950's, the Chinese Communist party seems to be considering China's welfare in a reasonably objective sense, conducting a foreign policy to assure

the country's political and social health, economic modernization, and external security:

What does this mean? First, all China supports the drive to make up rapidly for the 15 years of wasted time, in terms of industrialization, educational uplift, raised living standards, and the quality of social, cultural and political life. It follows that Chinese foreign policy must avoid any conflict that might fatally compromise China's national and ideological interests. And China must encourage the rapid import of technology, capital and skills from the more advanced Western countries, and the export of the primary and consumer produce needed to pay for them. In a word, Chinese policy aims for peace and prosperity.

Thus, in regard to Japan, a country rich in the products China wants (and no present security threat to Beijing), China's policy is to open the doors wide to Japanese business concerns, to accept interest-bearing loans from Tokyo, to send many students to Japanese universities, and to carry out the terms of a multibillion-dollar 20-year trade treaty. In addition, China no longer merely tolerates Hong Kong: it allows capitalists from the Crown Colony to set up joint ventures across the border in Kwangtung Province, it makes it easy for tourists and others to travel back and forth to Canton; and it even encourages overseas Chinese to return with their money to their former villages to invest in and even run local enterprises.

Even with regard to the arch-enemy, Nationalist Taiwan, Beijing encourages trade and travel (so far without response from Taipei) and does not blush as it sets as one of its slogans, "in economics learn from Taiwan." Much the same is true of China's economic relations with the Philippines, Malaysia, Singapore and Thailand. Trade with these nations has soared in recent years; new communications links have been established; and commercial and technical delegations pass back and forth with unnoticed regularity.

To be sure, China does not allow these external economic manifestations of the Four Modernizations to dominate its foreign policy. The country's politicalsecurity policy determines first and foremost who can be regarded as a good economic partner and who must be kept at arm's length. So China avoids relations with the Soviet Union and its Asian allies (in Beijing's eyes), Vietnam and India. Trade with Moscow rises a little each year but is still at the several hundred million dollar level, and that only out of the necessity for spare parts left over from the 1950's era of dependence on the Soviet Union. China ignores Moscow's Southeast Asian ally, Vietnam, which was once a good trading partner. Economic relations with New Delhi are still poor, reflecting mostly that country's security treaty with the Russians. They are nonexistent with Indonesia, which has still not restored diplomatic relations broken 15 years ago in the aftermath of alleged Chinese support of the Indonesian Communist party's role in the attempted seizure of power in Djakarta. And Beijing continues to refuse to do business with Seoul out of deference to Pyongyang, even though the Chinese look with respect and jealousy at the enormous growth and prosperity that has come to South Korea in recent years.1

This turnaround in Chinese commercial, trade, communications and cultural relations with the non-Soviet countries is the real news in Chinese foreign policy, including its Asian policy. If sustained for the last two decades of the twentieth century, it will create a China transformed economically and institutionally integrated into the Western world, with desirable spinoffs (from the Western and non-Communist Asian points of view) in Chinese policy and the outlook of the Chinese Communist party. Whether the Chinese leadership will have the patience and the wisdom to stick it out that long is unclear. And if the

'Seoul's model of rapid modernization is exactly what the Chinese would like to duplicate, however different the two economies are. And the Koreans in fact have much to teach the Chinese: how to obtain and then domesticize very large volumes of American, Japanese and European capital and technology and how to send able-bodied labor and management to areas like the Middle East to generate the money to pay for double-digit rates of growth.

<sup>2</sup>Historically, when China went through this phase a reaction inevitably set in, propelled by the perceived threat of Western influence, particularly the reflection in Chinese society of the less attractive aspects of Western sociocultural exports. One can already see signs of this in the Chinese media.

patterns of the Chinese past are still to be regarded as prologue, a conservative-ideological reaction may well set in before too long and change Beijing's basic operation once again. Indeed, the very determination with which the Chinese have gone about the task of rediscovering the Western world may well contain the seeds of its own destruction.<sup>2</sup>

The basic aim of Beijing's overall political orientation is to make the world safe for China's modernization. Beijing must decide who its enemies are, i.e., who, alone or in concert, can hurt China in a military sense. The Soviet Union has long since replaced the United States as China's enemy number one, in Asia and elsewhere. Only Moscow can destroy China's cities, lay waste its rural areas, and occupy large portions of its territory. China's current methods of deterring or winning a war with Moscow are insufficient. Nor can the Chinese afford to arm themselves against the Russians; that would destroy any possibility of carrying out successful long-term modernization. It follows that China must seek new allies, compromise with former enemies, make friends of neutrals and assemble all of them into a China-led coalition. Where Moscow has succeeded in putting together its own list of supporters, these too must be opposed. And where issues might stand in the way of constructing a successful united front, these must be compromised, albeit temporarily.

Since the United States is the only nation capable of deterring the Soviets, Beijing must make its peace with Washington, at least until the danger from Moscow is past. Sino-American détente is doubly advantageous to Beijing: not only does it remove the military threat that plagued China for 20 years, but détente may bring almost all United States allies in Asia and Europe into the united front. If successful, this may rank as the twentieth century's best example of updating Viscount Castlereagh at the Congress of Vienna (1814): the entire Western world will have been brought in to redress an imbalance in the Eastern world. Friendly relations with the United States and its friends carry the added and extremely important benefit of gaining access to those sources of capital, technology and management skills that China needs for rapid modernization. It is difficult, to be sure, to refashion Chinese relations with states who less than a decade earlier were regarded as the lackeys of American imperialism and who had for the most part suffered Chinese enmity, ostracism, subversion and military threat. But that is what is happening, and the Asian states in question have been only too glad to reciprocate this new Chinese warmth.

An abbreviated catalogue of these political-military changes in Chinese regional policy demonstrates this point. With Japan, China has signed a peace and friendship treaty which, because it contains the famous anti-hegemony clause and because there is no comparable Japanese-Soviet treaty, lines Tokyo up against Moscow, feeble Japanese protests to the contrary. On that basis, Beijing now encourages Tokyo to increase its level of armaments and maintain the defense treaty with Washington, and even looks with favor on Japanese-American joint defense exercises—a far cry from the shrill accusations of renewed Japanese aggressive plots only eight years ago. Trade and other ties with Japan have also been vastly expanded. Thus Chinese Premier Hua Guofeng and Deputy Premier Deng Xiaoping have each visited Tokyo recently.

Other American allies in Asia, South Korea excepted, come in for the same favorable treatment. For example, the Philippines, a former United States colony and locus of Washington's most important military facilities in the Far East, is advised by the Chinese to remain friendly to Washington, to watch out for Soviet planes and ships just over the horizon, and to guard against Soviet subversion at home. Ferdinand Marcos is in difficult straits, with two domestic rebellions, an economy increasingly split between very rich and very poor, a restive military and a torrent of criticism of his (and his wife's) overly regal behavior. Yet Beijing, true to its latter-day principles, avoids supporting the Communist peasant rebels, stays out of Philippine domestic politics, greatly increases its trade and other commercial contacts with Manila, and receives Imelda Marcos in Beijing as if she were a Philippine-Spanish queen. Who would have suspected such behavior on the part of the world's self-appointed revolutionary third world leader?

Thailand is another example. Back in the days of the cold war, when lines were clearly drawn, Bangkok rightly feared Chinese support for the Thai Communist party and for an uprising in the northeast. Every Thai government since the early 1950's has looked to Washington to save Thailand from the Chinese; the Manila Pact was signed with the defense of Thailand against China in mind. Bangkok's China policy was thus made in Washington, and no diplomatic relations existed with Beijing until after the American breakthrough in the early 1970's. For their part, in those years the Chinese charged that Thailand was allowing itself to be used by the Americans as part of Washington's master plan to surround China with a ring of strong, unfriendly capitalist states. So Beijing did indeed supply the Thai Communists with guns, training and propaganda (although just enough of each to make life no more than uncomfortable for Bangkok) and supported Thailand's regional foes, Vietnam and Cambodia.

But what has happened? The two countries host each other's embassies; they trade a great deal; the Thai Communists have publicly been told to calm down; the annoying clandestine radio station in Yun-

nan Province has been shut down; Deputy Premier Deng has visited Bangkok; and Thailand has been advised to be loyal to the Americans even after their Vietnam defeat. Thailand is in effect under joint Sino-American protection. To be sure, much of China's Thai policy stems from Hanoi's pretentions of regional empire and Beijing's opposition to it. But the major reason is that China is afraid of Soviet machinations in Southeast Asia, of being surrounded by Soviet bases and Soviet satellites, and worries that the Americans will not by themselves be able to keep the Russians out of the area and to defend Thailand from those "Asian Cubans" in Hanoi, Moscow's friends. When in mid-1980 Vietnam launched a brief sally into Thai territory, China was prepared to respond directly on the Sino-Vietnamese border.

That brings us to India and South Asia. The situation for China in that area has been relatively unchanged since the mid-1960's or even the late 1950's. Since then, China and India have not been friendly, because of power rivalry, differences of cultural and national personality, and the border problem, and because China's global rivals—the United States in the 1950's, the Soviet Union since 1965—have lined up behind New Delhi against Beijing.

China's response was to support Pakistan, India's only regional rival, starting in 1959. Beijing has continued to supply Rawalpindi with arms and economic assistance ever since. China faced difficulties. however, because India took two actions that were hard to counter. First, it trained and equipped (with mostly Russian arms) a million-man army, thus preventing a repetition of the Chinese border victories of 1959 and 1962. And, in 1971, India took out insurance in Moscow in the form of a "friendship treaty" that was really an anti-Chinese alliance. The treaty allowed New Delhi to separate East Pakistan from the western portion, creating an independent (but Indialeaning) Bangladesh in 1972. This made India the most powerful state in South Asia and called into question the future security of Pakistan. More important for China, Soviet influence in New Delhi was paramount (the Americans had given up in 1965 after the Rann of Kutch War and the Soviet-mediated Tashkent Agreement). Soviet leaders used this influence in 1972, when they told the Chińese to stay out of the Bangladesh imbroglio lest they suffer unpalatable consequences on the Sino-Soviet border; throughout the last decade, Soviet influence prevented a modus vivendi between the Asian rivals that was long overdue.

Soviet intervention in Afghanistan, in late 1979early 1980, changed the equation, especially for India. Afghanistan was supposed to remain a buffer state, just as the British had created it in 1857. If it were to be Moscow's newest satellite, however, India would have to support Pakistan against further Soviet ambitions. Certainly India would have to take a more kindly attitude toward Rawalpindi, and perhaps toward Pakistan's protector, China. The Soviet invasion also caused India to think again about how closely it wanted to be tied to Moscow. Moreover, there was an annoying and unfinished Himalayan border question, and there was China's own diplomatic offensive to repair relations with New Delhi after Mao's death.

Thus there were many reasons why China and India began, in the late 1970's, to attempt—slowly and gingerly-to work out their differences. China was embarrassed, to be sure, when India's foreign minister cut short his visit to Beijing in early 1979 and went home to protest the Chinese "counterattack" invasion of northern Vietnam. Nonetheless, a year later the Soviet military move made both sides pay more attention to each other's interests and sensitivities. And it seems likely that there will be further movement in the direction of Sino-Indian détente, although nothing of great consequence will happen until and unless the North East Frontier Agency-Ladakh border issue is addressed in earnest by both sides. It is interesting that China has been forced to be the supplicant in this process, as the appeaser of India. Chinese leaders seem willing to compromise: they cannot give up the Aksai Chin road but they might well trade some territory in the Ladakh.

Finally, much will depend on how China decides to play the Afghan guerrilla supply question. Beijing may well attempt to convert Afghanistan into an albatross around Moscow's neck by training and supplying local "freedom fighters." But that would compromise Pakistan (as the locus of Afghani rear area bases) in Soviet eyes, making it more difficult for New Delhi to come to terms with Beijing. Moscow would then be in a better position to put pressure on the Indians to "advise" Pakistan to act in a more neutral role, as befits its status as a buffer, and to avoid any major improvement of relations with the Chinese.

Sino-Soviet relations are frozen, according to most observers. There can be no major improvement as long as Moscow holds a gun at Beijing's head (that is what the unequal military balance between the two amounts to), as long as the Russians spread their influence into Southeast Asia (by allying with Hanoi, by setting up military bases on Vietnamese soil, and by assisting the Vietnamese in their ambitions to create a new empire in the region), and as long as Moscow demonstrates its intent to use force when it can get away with it (that is what Afghanistan is all about). So it is no longer the mere bilateral relations between the two countries that bothers the Chinese leadership; it is also the Soviet propensity to expand Soviet influence elsewhere in Asia at China's expense. It is one thing to negotiate about a compromise of

differences over the location of the border or the disposition of military forces in Siberia, Mongolia, Manchuria and Sinkiang. But it is more difficult to induce or force Soviet leaders to give up their anti-Chinese alliance with Hanoi and to withdraw their forces from Southeast Asia, just as it is difficult to persuade Moscow to pull out of Afghanistan. In any event, why should Moscow want to compromise with Beijing?

A rational power politics analysis thus concludes that the status quo in Sino-Soviet relations will continue indefinitely. But this does not take into account all Chinese motives (nor Soviet) and it does not consider all recent developments. There is more than one way to obtain the peace and security that is the objective of the foreign policy of the Four Modernizations. A united front policy, after all, may galvanize Soviet leaders to create an alliance system of their own, and that is just what they have been doing in Asia. Would it not be better for China to come to some agreement with the Kremlin on points of difference, including of necessity spheres of influence? True, it might not be in Moscow's interest to abrogate its alliance with Hanoi and leave Southeast Asia to China. And it is true that Soviet leaders would probably drive a hard bargain in any such negotiations, since they have the advantage over the Chinese. But an agreement could benefit both sides. Each could look to separate gains in its "own" area—China in Asia, the Soviet Union in Europe and possibly in the Middle East. South Asia could become a kind of gigantic buffer zone; the Sino-Soviet border would be demilitarized; and competition could still take place in more distant places like Africa and the Americas. Trade and technology transfer could resume and would soon climb to high levels, which would greatly assist China's modernization drive.

The Chinese need time and Soviet interest. The arrangement with the United States and its Asian and European allies buys that time, which China is putting to good use by building up its own power. Eventually, China will wean itself from dependence on the West, and in the end will approach the Russians from a position of strength. Meanwhile, negotiations purchase Russian interest, by conveying hints of a better deal to come. When the Chinese denounced the 1950 Sino-Soviet Treaty of Alliance, in

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"Beijing is indeed prepared, in accordance with the dictates of its Maoist pragmatism, to make major adjustments in its political and economic strategies in order to serve its aim of modernization, to become a great power."

# China and the "Industrialized Democracies"

BY O. EDMUND CLUBB

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n 1979-1980, the foreign relations of the People's Republic of China (PRC) with the "industrialized democracies" saw two outstanding developments: 1) a major shift in the Chinese approach to foreign trade, and 2) the progressive politico-military cooperation between the United States and the PRC.

The first stage of Beijing's reassessment of its grandiose plan for "four modernizations" had been essentially completed by June, 1979.1 Addressing the second session of the Fifth National People's Congress (NPC) on June 18, 1979, Premier Hua Guofeng set forth the new commercial tactics that China proposed to follow in the subsequent three years of economic adjustment.2 China would follow established international commercial procedures, with heavy emphasis on borrowing foreign capital, technology and skills. Beijing subsequently proceeded to enact elements of a commercial legal code designed to attract foreign enterprise and investment. Deficiencies remained with respect to codification and slowed the completion of new deals for foreign enterprise in China. But decisions had been reached, and the PRC was ready to press forward along the new policy line. The PRC was on course again—if at a more moderate pace, and with different emphasis.

With regard to foreign affairs generally, in his NPC report, Premier Hua adhered to Beijing's established foreign policy line. After asserting that China adhered to Mao Zedong's three worlds theory,<sup>3</sup> he stressed the pacific theme by stating that China was

ready to establish and develop relations with other countries on the basis of the Five Principles of mutual respect for sovereignty and territorial integrity, mutual non-agression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence.

Fitting most securely into Beijing's Five Principles design are Japan and the countries of West Europe; they are prepared to do business with China, as in the past, on the basis of profitable exchange in the national interest. And China, for its part, no longer regards these countries as "imperialist": they belong instead to the second world, and at this stage of history they are to be persuaded to join a united front (in which China will play a prominent role) to wage a critical struggle against the hegemonistic "social imperialist" power, the Soviet Union. One of the 26 slogans proclaimed by the Central Committee of the Chinese Communist party (CCP) as guidelines for the nation was "Firmly carry out the policy of readjusting, restructuring, consolidating and improving the national economy and win the first battle for the four modernizations!" So much for economic policy. An-. other slogan, however, was "Oppose hegemonism and safeguard world peace!" That was the line the PRC would follow in international politics.

On October 7, in preparation for a trip that he made to four West European countries in October and November, 1979, Premier Hua held a press conference in Beijing' for journalists from the four countries that he planned to visit, France, West Germany, Britain and Italy. He announced that he was moved by the desire "to promote understanding, deepen friendship, expand cooperation and defend peace." But he had a more pungent political message for West Europe than the message suggested in that genial advance announcement. In a televised interview on September 11, Hua had noted that

Firmly following Comrade Mao Zedong's theory of the three worlds, we will strengthen our unity with the other third world countries, unite with all forces in the world that can be united with to oppose hegemonism and so delay the outbreak of a world war and preserve world peace.

With these economic and political views, Premier Hua, accompanied by Deputy Premier Yu Qiuli and Foreign Minister Huang Hua, arrived in France on October 15, 1979, for a 6-day visit. At a dinner he gave in honor of his Chinese guest, President Valéry Giscard d'Estaing was at pains to remark that

Security is inseparable from the reduction of tensions.

<sup>&#</sup>x27;See in this general connection John Bryan Starr, "China's Economic Outreach," *Current History*, September, 1979, pp. 49-52 et seq.

<sup>&</sup>lt;sup>2</sup>Hua Guofeng, "Report on the Work of the Government," Beijing Review, July 6, 1979, pp. 5-31, esp. p. 18.

<sup>&</sup>lt;sup>3</sup>See O. Edmund Clubb, "China and the Three Worlds," *Current History*, September, 1978, pp. 53-56 et seq.

<sup>&</sup>quot;Premier Hua Guofeng Interviewed by Felix Greene," Beijing Review, October 19, 1979, pp. 7-14, esp. p. 13.

That is why France attaches a great value to the détente that has opened, in Europe, the ways of dialogue and of cooperation . . . France has established for itself the rule of substituting cooperation for confrontation

In his response, Premier Hua noted situations of tension, discord and intervention in various world sectors stretching from Europe to Indochina, situations which he attributed to the ambitions and machinations of "hegemonism." "So," Hua said, "we apply without fail a foreign policy consisting of combatting hegemonism and defending world peace." 5

At Hua's next scheduled stop, the leading politicians of West Germany were clearly hoping that Premier Hua would downplay his anti-hegemonism theme. Instead, Hua repeated his geopolitical theme in the course of his visit to Bonn and the other European capitals, although it was clear that the governments of France and West Germany viewed the world situation (and their roles in it) in a very different light. Britain's Conservative government seemed to accord Hua a more sympathetic reception, and it was there that he made his most direct and violent attack on the Soviet Union. But Prime Minister Margaret Thatcher was ready to direct her guest's attention to more immediate concerns and pointed up the onerous dimensions of the legal and illegal immigration of some 250,000 Chinese into Hong Kong over the preceding 18 months. Hua reportedly expressed sympathetic understanding and promised to try to take some action.

Finally, Hua spent three days (from November 3 to 6) in Italy. Again he promised that the PRC would help safeguard world peace, but as usual he did not say how Beijing proposed to contribute to that end—beyond sounding alarms about the dangers posed by hegemonism. And Prime Minister Enrico Cossiga-observed in response that tension existed in many world areas, and that all states, particularly those bearing major world responsibilities, should face up to the consequences of destabilization and acute tensions.

In fields other than politics, there was more understanding between Premier Hua and his hosts. During Hua's visits to France and West Germany, agreements were signed for the promotion of economic and cultural exchanges and for the reciprocal establishment of consular offices. Agreement with Britain on scientific and technologic cooperation and economic exchanges had been reached by the PRC earlier in 1979; during Hua's visit, new agreements were reached for educational and cultural cooperation and for the establishment of air transport between the two countries. In Italy, declarations of intent with respect to cooperation in the fields of economics, commerce, technology and culture were signed. Leaving the Rome airfield for home on November 6, Hua read a

prepared statement in which (after reiterating his objectives in making the visit) he proclaimed that his visit to Europe was a "complete success."

Economic and political factors combined to limit the success of Hua's geopolitical strategy with regard to Europe. In 1978, the PRC's share in the total trade of the European NATO countries was very small-\$1.2 billion in imports and \$2.0 billion in exports, representing respectively 0.3 percent of those countries' world exports and 0.4 percent of their world imports. In that same year, the imports of those NATO countries from the U.S.S.R. totaled \$8.6 billion and their exports, \$7.5 billion. Cognizant of their trade with the Soviet Union and acutely aware of the perils attendant upon military solutions in today's world, the West European and Japanese sector of the world economy will not be persuaded by Hua's summons to political confrontation with "hegemonism" to abandon their profitable trade with the Soviet Union in favor of exploiting the "boundless" market of China on unlimited credit.

The European Economic Community (EEC) countries clearly view the PRC primarily with an eye for profit. They note Beijing's limited capacity to pay for massive purchases abroad of industrial equipment, technology and arms—and the difficulty it will experience, given its developmental and technological backwardness, in achieving an ordered implementation of its "four modernizations."

The Sino-British exchanges are a case in point, because Britain has shown itself the most willing to sell advanced military equipment to China. In 1978, the British government officially expressed a readiness to sell Harrier vertical-takeoff military jet planes to China; during Hua's visit last fall, Prime Minister Thatcher repeated the offer of the Harrier and other defense equipment—subject to consultation with Britain's allies. Hua did not seize the opportunity. In March, 1980, British Minister of Defense Francis Pym visited Beijing, and conferred with Chinese dignitaries, including Premier Hua—but by report reached no deal for the Harrier or for other advanced military equipment.

Financial considerations dominated. In his report to the NPC in June, 1979, Minister of Finance Zhang Jingfu had reported that the PRC was going to increase its military budget by \$2.0 billion, to a total of \$12.64 billion; but the Harrier deal alone, in its proposed dimensions, would cost the PRC approximately that \$2.0 billion. China hopes to acquire advanced technology and employ foreign skills for the modernization of its military establishment at a more modest cost. Thus during Pym's visit arrangements were made to exchange personnel between the British and Chinese armed forces for the advanced training of Chinese personnel, especially for the air arm.

New financing procedures are being worked out.

<sup>&</sup>lt;sup>5</sup>Le Monde, October 17, 1979.

Banking groups in Western countries and in Japan have extended substantial credit lines to help China finance acquisitions of foreign goods and services over the longer term. Beijing secured an added big lift toward access to credits when, on April 17, 1980, Taiwan was ousted from the International Monetary Fund and the PRC took China's seat; then, on May 15, the PRC was accepted as a member of the World Bank, while Taiwan was expelled from that organization as well. At Beijing on July 18, 1979, before Premier Hua's European tour, the EEC and China initialed a new five-year commercial pact that granted the PRC most-favored-nation (MFN) treatment, while limiting (as had the earlier 1978 agreement) PRC exports of textiles to EEC countries.

In these circumstances, China's foreign trade, an important factor for the four modernizations, increased substantially in 1979, to \$29.374 billion.

### SINO-JAPANESE RELATIONS

Japan is in a favored position, geographically and economically, to respond to China's pressing needs. When China abandoned "self-reliance" in favor of increased borrowing of foreign capital, technology and skills in implementation of its modernization, Japan was quick to profit. But the Japanese suffered a shock when the Chinese, in February, 1979, realized that they were committed beyond their means and deferred some 22 contracts. Japan takes a wary view of a nation that has traditionally followed an erratic course in foreign affairs.

But the Chinese know that the Japanese are in a strong position to help or hinder them, and early in the readjustment period they addressed themselves again to the Japanese. The Beijing authorities were again thinking big; in September, 1979, the PRC asked for Japanese loans totaling \$5.54 billion to finance the construction of eight railway, port and power projects viewed by Beijing as fundamental to its industrial program. But the Japanese did not leap at the proposition.

Japanese Premier Masayoshi Ohira paid an official visit to China, December 5-9, 1979, and met with Premier Hua Guofeng and Deputy Premier Deng Xiaoping. Following the pattern of Hua's accomplishments in Europe, the two leaders signed an agreement on cultural exchanges and agreed to undertake negotiations early in 1980 in the fields of science and technology. Premier Ohira said that, beginning in April, 1980, Japan would extend the preferential tariff treatment accorded to less developed countries to the PRC. In response to the Chinese request for a \$5.54 billion loan for major construction projects, the Japanese government offered a total loan of \$1.5 billion for six of the projects, including 50,000 million

yen (approximately \$231.5 million) in fiscal year 1979 (ending March 31, 1979). By the end of 1979, the Sino-Japanese commercial relationship had steadied. And Sino-Japanese trade, which had reached a record \$5.1 billion in 1978, totaled \$6.5 billion in 1979.

The Sino-Japanese economic relationship now operates upon a strong foundation of mutual interest. But political factors also enter. During Premier Ohira's visit, China and Japan signed an agreement for the joint exploration of petroleum and natural gas resources in the southern and western sections of the Bohai (Bo Sea) on December 6, 1979. But a related issue was left outstanding. In 1978, the Chinese had protested a Japanese-South Korean agreement for the joint development of offshore petroleum deposits in common waters-regarded by Beijing as rightfully appertaining to a continental shelf under the sovereignty of the PRC. In March, 1979, China's neighbors decided to proceed with exploratory drilling and exploitation in a "joint development zone" in the western section of that continental shelf, in the East China Sea.

China protested that the allocation of rights should be determined only after consultation between the PRC and other concerned countries, but the Japanese proceeded to take unilateral action. On May 7, 1980, the Beijing government issued a statement in which it declared that:

The "Japan-ROK agreement on joint development of the continental shelf" that the Japanese government signed with the South Korean authorities without consulting China and behind China's back is utterly illegal and null and void. . . Should any countries or private persons arbitrarily undertake, or participate in, development activities in the so-called "joint development zone" unilaterally marked off by the said "agreement," they must bear responsibility for all the consequences arising therefrom.

That issue remains to be resolved. Nor has Tokyo joined Beijing's united front against the Soviet Union. If there are political or territorial differences between Japan and the Soviet Union, there are also profitable economic relations. Japan's trade with the U.S.S.R. increased from about \$1 billion in 1970 to \$4.9 billion in 1979, up 12 percent from 1978. Japan obtains needed timber, coking coal and petroleum from Siberia; it does not propose to renounce such imports or Japanese exports of technology and industrial equipment to the Soviet Union.

There is another potentially explosive factor. Before the establishment of diplomatic relations in 1972, China consistently denounced Japan's alleged "militarism." But China today recommends the further buildup of Japan's "self-defense" forces. Japan is indeed currently building up its military capabilities; in the fiscal year ending March 31, 1980, its military expenditures totaled \$8.4 billion, up 10.2 percent from 1979. Japan is on its way to becoming a regional

<sup>&</sup>lt;sup>6</sup>Beijing Review, May 19, 1980, p. 7.

military power. Thus in due course Japan's compact armed forces, superior in terms of technological levels and organization, might play a role different from that hoped for by Beijing.

### THE "IMPERIALIST" U.S.

The Sino-American relationship registered the most important developments in 1979-1980: Washington completed a shift of 180° in its posture vis-à-vis "Communist" China; while the PRC apparently made an equally radical shift in its position regarding the "imperialist" United States. Americans suffered a measure of disillusionment with respect to China trade prospects in the first part of 1979, but the two countries signed a trade agreement on July 2, 1979, at Beijing, and on October 23 President Jimmy Carter approved the extension of most-favored-nation (MFN) treatment to China.

What about the Jackson-Vanik amendment to the 1974 tariff act that prohibits the extension of MFN treatment to Communist countries that do not permit freedom of emigration for their citizens? In the case of the Soviet Union, Washington had demanded written assurances that Moscow would permit freedom of emigration, and had met with a Soviet refusal on the grounds that this constituted interference in internal Soviet affairs. In the case of the PRC, Beijing had assured Washington that Chinese might freely emigrate—and the administration had taken the Chinese at their word. In January, 1980, the United States Senate and the House of Representatives voted their approval, and the July trade treaty became law-with MFN treatment for the PRC. The American "evenhanded" treatment of the PRC and the Soviet Union had been abandoned in the light of benefits that Washington hoped to obtain from ties with the "proletarian dictatorship" it had so long endeavored to "contain."

Despite the setbacks of early 1979, Sino-American trade experienced a substantial advance in that year. Trade between the two countries totaled \$1.148 billion in 1978 (with United States exports of \$824 million, imports \$324 million). In 1979, the first year of "normal" relations, Sino-American trade doubled, totaling \$2.309 billion (United States exports \$1.717 billion, imports \$592 million). Granted that American trade with Taiwan in that same year totaled \$9.1 billion, an increase of \$1.6 billion over 1978, the advance in American trade with the mainland was still notable.

There was less progress in the undertaking by American corporations of joint-venture or other investment projects in China. In that area, interested American firms were for the most part still exploring, and sometimes laboriously negotiating. But on June 5, 1980, American interests joined with West German and Japanese companies in an agreement to construct a half-billion-dollar steel complex at Baoshan, near the mouth of the Changjiang (Yangtze River). The multinational pattern seemed appropriate for some of mainland China's larger projects, and foreign interests might well follow that pattern—in part for their joint protection.

A new trend developed in the Sino-American politico-military relationship. In March, 1979, The New York Times reported that the United States proposed to follow a "quarantine strategy" in Asia: it would maintain an American presence there, aid friends, and try to limit conflicts in northeast Asia and Southeast Asia to clashes between Communist nations as such. In February, 1979, the administration had temporarily suspended the further withdrawal of United States combat troops from South Korea; but on July 20 it formally announced that there would be no additional reduction of American troop strength in South Korea until 1981 at the earliest. The normalization of Sino-American relations was reported to have been one of the considerations that had led the administration to that decision; the growth of Soviet naval power in the West Pacific was another.

The politico-military aspect of the new Sino-American relationship developed over the ensuing months. United States Vice President Walter F. Mondale visited China in August, 1979, and met with Premier Hua Guofeng and Vice Premier Deng Xiaoping and other Chinese leaders. The Mondale visit was marked by the opening of a United States Consulate General in Guangzhou (Canton), the first such American office to function in China in almost 30 years. Two Sino-American accords were signed during the Vice President's stay, one to implement an agreement on cultural exchanges and the other a protocol for cooperation in the management of hydraulic power and related water resources. At the end of his two-day visit, Vice President Mondale declared that a foundation had been laid for Sino-American relations over the next decade; but he remarked, significantly, that

## (Continued on page 42)

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<sup>&</sup>lt;sup>7</sup>See in this general connection Patrick J. Smith's report of an interview with visiting Rong Jiren, head of the newly formed China International Trust and Investment Corporation, *The New York Times*, June 21, 1980.

"A country's military posture cannot be described solely in terms of physical weapon inventories; its strategic position vis-à-vis other countries in the international arena must also be considered. In the case of China, three such factors are vital: China's new and friendly relations with the United States; the relative stabilization of relations between China and the Soviet Union; and the continuing political and military isolation of Taiwan."

# The Modernization of the Chinese Military

## BY LEO YUEH-YUN LIU

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INCE 1975 China has indicated a renewed interest in developing and modernizing its industrial and military capabilities.\* First introduced in 1964, its program of four modernizations —of agriculture, industry, science/technology and national defense—has been employed on an intermittent basis. In 1975, the program was reintroduced at the Fourth National People's Congress, which adopted a ten year plan covering the period from 1976 to 1985. In February, 1977, four conferences on "defense modernization" were convened to stimulate the defense industry and research work, and to strive for modernization of national defense and science and technology.1 It was evident from the start that Chinese Deputy Premier and party Vice Chairman Deng Xiaoping was a major driving force behind the reactivation of the program.

The purpose of China's program of military modernization is two-fold: it seeks to reexamine the political and military doctrines that China has employed

\*I gratefully acknowledge the help of the Research Committee of Brandon University for funding this project, and wish to thank the librarians of the Canadian Institute of International Affairs and my students Wayne Peterson and Bradley Bird for their valuable assistance. I am especially indebted to Tsai Wei-ping and Chang King-yuh for inspiring me to undertake this study.

<sup>1</sup>I have discussed the capability and strategy of the Chinese military before mid-1978 in "People's Liberation Army," *Current History*, September, 1978.

<sup>2</sup>The New York Times, March 28, 1979. For background of the Sino-Vietnamese border conflict and related issues, see Far Eastern Economic Review (FEER), February 16, 1979; The New York Times, February 18, 1979. For comments on the failure of Mao's military doctrines in the Vietnamese war, see Drew Middleton's article in The New York Times, February 25, 1979.

<sup>3</sup>Renmin Ribao or People's Daily, China's official organ, October 22, 1979, and Hongqi or Red Flag, China's party organ, March 16, 1980, p. 3. For Xu's remarks, see Hongqi, October 2, 1979, pp. 28-33.

<sup>4</sup>For criticism of Mao's individualism, which prompted the call for collective leadership, see *Renmin Ribao*, May 6, 1980; *Renmin Ribao*, March 23, 1980, *Hongqi*, March 16, 1980, p. 3, and *Christian Science Monitor*, March 29, 1980. See also *Renmin Ribao*, editorial, January 3, 1980, April 29, 1980, and *Hongqi*, March 5, 1980.

for the last 30 to 40 years and, if necessary, to revise them; and it seeks to modernize China's military technology and weaponry.

The first aspect of China's program of military modernization involves the reevaluation of the late Chairman Mao Zedong's classic military doctrines, like the "people's war." Until his death in 1976, Mao's doctrines went basically unchallenged, at least in public. Within a year after Mao's departure, however, Chinese leaders were expressing serious doubts about the applicability of Mao's maxims to modern warfare. They warned that "we must not mechanically apply quotations from Chairman Mao's works in disregard of the concrete time, place and circumstances." Tactical blunders in the 1979 Sino-Vietnamese conflict prompted the March 27 issue of Jiefanjun Bao (Liberation Army Daily), the army organ, to report that the conflict had "helped clear away some of the erroneous [Maoist] ideas of the question of war."2 In October, 1979, Defense Minister Xu Xiangqian concluded that the Chinese army's tactics, organization and leadership had failed to meet the stringent requirements of modern warfare. This was conceded by the central committee of the party, which noted that "the weapons and facilities of the troops and the targets of attack have changed greatly. The principles, policies and tactics should also be changed accordingly."3

In an effort to erradicate the "cult of personality" and the accompanying campaign which, under Mao, fostered self-glorification, the party issued new guidelines on March 15, 1980. According to the guidelines, self-aggrandizement and individualism would be replaced with collective leadership and "professionalism." A restructured and coordinated management of the armed forces was called for to develop a professionally competent and politically motivated force. As Xu pointed out: "Our military thinking must tally with changing conditions. If we treat and command a modern war in the way we commanded a war in the 1930's and the 1940's, we are bound to . . . suffer a serious defeat." He also declared that, in the future, officers would be trained in all

related facets of military science and technology.5

The second aspect of the program, the modernization of China's military technology and weaponry, is closely tied to the modernization of China's other industries. Under the ambitious 10 year plan (1975-1985), as many as 120 costly projects were launched, with the highest priority going to heavy industry. It was estimated that the capital required to finance these projects might run as high as US\$70 billion.

Early in 1979, however, it became apparent to the Chinese leaders that the broad goals of their modernization program were so ambitious as to be unrealistic. Suffering from a lagging economy, China lacked the necessary capital, technology and managerial expertise to carry out the projects. Thus, in late June and early July, 1979, Premier and party Chairman Hua Guofeng introduced a new three year program designed to "readjust, restructure, consolidate and improve the national economy." Under this program, priorities were shifted from heavy industry to agriculture, light industry and energy production. Capital construction was "resolutely curtailed."

Despite the new plan to curtail the development of heavy industries, some industries with both military and civilian significance remain high on China's list of priorities. Thus, in an effort to improve the manufacturing ability of its military industry, China recently called for the expansion of research and exploration in metals industries like tungsten, fine copper, aluminium, titanium, fine zinc, and nickel. These metals are essential for the production of aircraft, naval vessels, radar systems, missiles and satellites.

Among the light industries, China is particularly concerned with its electronics industry. While claiming that domestically produced electronic hardware is adequate to equip Chinese-made aircraft, warships and guided missiles, China has admitted that a great deal of effort must be made in areas like thermo sights, precision-guided missiles, coordinated gunnery controls, early warning radar systems, lasers, and infrared technology. Negotiations with foreign electronics manufacturers aimed at nurturing cooperation in the development of ground communication systems, satellite tracking stations, and guidance systems are under way.

Because of China's weak industrial foundation and relatively low level of technological advancement, the

modernization of its military relies on the importation of either the weapons themselves or the technology capable of generating modern weapons production domestically. Deng Xiaoping, the driving force behind China's program of defense modernization, has long advocated the importation of foreign technology as essential to the success of this program. In January, 1979, he reiterated that "in the course of our drive for the four modernizations, we are prepared to cooperate with countries that are developed in science, technology, industry and agriculture."

The implementation of its new three year "read-justment program" in June and July, 1979, has not hindered China's efforts to cooperate with the developed nations in order to import their advanced science and technology. However, when importing foreign technology and products, Chinese leaders will have to be better coordinated and more selective. The development of a modern military remains one of China's four aims of modernization (albeit relegated to a lower priority level); thus its leaders have geared their present policy to the careful and selective purchases of advanced military technology and weaponry from the industrialized countries—specifically, from the United States, Great Britain, France, West Germany and Italy.

### **UNITED STATES AND CHINA**

The recognition of China by United States President Jimmy Carter on January 1, 1979, facilitated the sale of military equipment to China by the United States. During his visit to China in January, 1980, United States Defense Secretary Harold Brown announced that one of his goals was to "fill out the gradually developing Chinese-American relationship into the military area." Later, in his report to the United States Congress, Brown said that although there were no plans to sell arms directly to China, the United States was ready "on a case-by-case basis" to consider the "transfer of technology to China including civilian technology having potential for military application."7 Items under the heading of "civilian technology" and earmarked for sale to China during the visit included a ground station designed to receive information from the United States satellite Landsat D. The satellite, slated to be launched in 1981, is capable of collecting information useful in the exploration of oil, gas and other mineral deposits and in identifying other earth features that may have military implications.

In March, 1980, the United States State Department gave final approval to American manufacturers to sell several categories of military equipment to China, including cargo and other transport aircraft, helicopters, communication systems, trucks, flight training equipment, radar training equipment, sonar and other underwater detection systems and aero-

<sup>&</sup>lt;sup>5</sup>Hongqi, October 2, 1979, pp. 30-31.

<sup>&</sup>lt;sup>6</sup>Beijing Review, China's official organ, January 12, 1979, p. 16.

U.S. Department of Defense, Annual Report for Fiscal Year 1981, prepared by Harold Brown, Secretary of Defense, January 29, 1980 (Washington, D.C.: U.S. Government Printing Office, 1980), p. 52. For comments on this issue, see The Times (London), January 10, 1980; The New York Times, January 10, 1980.

photography equipment. The sale received the final approval of the United States Congress on May 29, 1980.

During his visit to China, Defense Secretary Brown indicated that the United States would not object to the sales of arms to China by American allies like Britain. For the past two years, China has been negotiating with Britain for the purchase of the Hawker Siddeley Harrier Jump-jet. This modern British jet is a vertical take-off fighter-bomber that could provide China with the mobility she would require in the event of a Russian attack. In November, 1979, the British government gave final approval to the sale of Harrier jets to China. Nonetheless, in his visit to China in March, 1980, British Defense Minister Francis Pym discovered that China's interest in the jets seemed to have waned. While China claimed it was because of their high cost, some speculated that actually it was because the Chinese were looking for more advanced fighters, particularly the Europeanmade Panavia 200 Tornado jet fighters.

In China, Pym's visit coincided with the opening of a British aerospace exhibition sponsored by over 60 British companies interested in doing business with China. Items in the exhibition included Harrier jets; Rapier surface-to-air missiles; Hawker 748 Coastguarders; Swingfire antitank missiles; Sea Dart sea-to-surface missiles; and Seawolf surface-to-air missiles. The exhibition apparently sparked the interest of the Chinese, who soon after requested and received British permission to set up a London office to handle prospective aircraft sales contracts.

Over the past few years, British Rolls-Royce has allowed China to manufacture the Spey engine, and has recently indicated that if sufficient orders for other engines were forthcoming from China, it would be willing to waive license fees on the Spey engine. Rolls-Royce also agreed to consider allowing China to

\*FEER, November 16, 1979, p. 21; and Jane's Weapons Systems 1979-80 (New York: Franklin Watts), pp. 877-878.

For a more comprehensive account of this and other weapon deals, see "Annual Review: Science and Technology in 1978," Studies on Chinese Communism Monthly, February 15, 1979, p. 100.

<sup>10</sup>Beijing Review, November 2, 1979, p. 9; FEER, November 9, 1979, p. 66; The New York Times, February 22, 1979, and Summary on World Broadcasts Far East Weekly Economic Report, December 19, 1979. See also FEER, November 2, 1979, p. 26.

<sup>11</sup>Summary on World Broadcasts (Far East), December 6, 1979. For a report on West Germany's reluctance to sell offensive weapons to China, see Central Daily News, Taiwan's official organ, January 13, 1980.

<sup>12</sup>FEER, November 16, 1979, pp. 21-22. For a report on Sino-Italian relations, see *Beijing Review*, November 9, 1979, p. 14. Other European countries, such as Sweden and Austria, have refused to sell arms to China.

<sup>13</sup>For a report on this "secret" report prepared by the Rand Corporation for the Department of Defense, see *The New York Times*, January 4, 1980. The report is due to be declassified in 1985.

manufacture other aircraft engines domestically. The engines in question are probably the Pegasus 103, used in the single-engine Harrier, and the Turbomeca Adour, which powers the twin-engine Jaguar fighters. They are both more advanced than the Spey.<sup>8</sup>

In 1978, China and France concluded an agreement providing for technological cooperation in the fields of telecommunications, nuclear development and space science. The following year China reportedly purchased 12 computer systems, 15,000 Milan and Hot antitank missiles, and some Super Frelon antisubmarine helicopters from France. France, however, has been reluctant to supply an interested China with either Mirage jet fighters or the French-made Crotale low-altitude ground-to-air weapons system. One reason for France's reluctance was undoubtedly the Soviet Union's request that France sell no weapons to the Chinese.

West Germany accounts for half the European Economic Community's exports to China. In 1978, China reportedly purchased about 600 anti-tank missiles from the West Germans, and in 1979 the two countries signed agreements outlining increased cooperation in satellite research and helicopter and aircraft development. <sup>10</sup> But West Germany, like France, remains reluctant to sell offensive weapons to China. Recently, the West German Research Minister described the cooperation between the two countries as being "for purely civil and not military purposes." He added, however, that "there was no agreement with China ruling out the use of results of civil research for military ends." <sup>11</sup>

A number of scientific and technological exchange agreements were concluded in 1978 and 1979 between China and Italy, the fifth largest arms exporter in the world. China is known to have been interested in Italian missile guidance systems, helicopters and rapid-fire cannons, 12 but to date, no arms sales agreements have been reached between the two countries.

China will require a great deal of capital if it continues to pursue the importation of advanced military technology and hardware. According to a recent report prepared for the United States Defense Department by the Rand Corporation, China would have to spend between \$41 billion and \$63 billion to build up the "confident capability" which would allow it to ward off a Soviet attack. Such a capability, according to the report, would include among other things "3,000 to 8,600 improved medium tanks, 8,000 to 10,000 armored personnel carriers, 16,000 air-to-air missiles, 720 mobile surface-to-air missile launchers, 200 air-superiority aircraft and 240 fighters and fighter bombers."13 The same report estimates that China would need between \$8.78 billion and \$13.38 billion just to meet its need for "high-priority military systems," although no details were available as to how this money would be spent. China's econo-

TABLE 1: China's Budget (Millions of Chinese yuan)

Item	Year 1977	Year 1978	Percent of Increase, 1978 over 1977	Year 1979	Percent of Increase 1979 over 1978
1. Gross National	281,208	314,953	12.00	337,000	7.00
Product (GNP)			•		
2. Gov't Revenues	87,450	112,111	28.20	128,600	14.70
3. Gov't Spending	84,353	1.11,093	31.70	112,000	
4. Defense Spending	14,906	16,784	12.60	20,000	20.50
5. Percent of defense spending		•			
over gov't spending	17.70	15.00	· <del></del>	18.00	-
6. IIST's estimate of gov't spending	37,000	40,000.	8.00	46,000	15.00

Sources: All figures given in (1), (2), (3), (4) and (5) are computed from Chinese official sources. See "Communiqué on Fulfillment of China's 1978 National Economic Plan," issued on June 27, 1979, by the State Statistical Bureau, in Beijing Review July 6, 1979; also in Beijing Review, see "China's National Economy 1978-79," June 29, 1979, prepared by Zhang Jingfu, Finance Minister, July 20, 1979; "Fulfillment of 1979 National Economic Plan," April 21, 1980; "Communiqué on Fulfillment of China's 1979 National Economic Plan, Part 1," April 30, 1980; "Communiqué on Fulfillment of China's 1979 National Economic Plan, Part II," May 19, 1980; see also Renmin Ribao, May 1, 1970. Figure in (5) is from The Military Balance 1979-80 (London: International Institute for Strategic Studies), pp. 94-95. The IIST's estimates on the percentage of increase of 1979's revenues and spending over those of 1978 are lower than those provided by Chinese sources.

my will probably prevent it from generating enough funds to realize the desired degree of military modernization. In 1979, China's war with Vietnam witnessed the growth of its defense budget, which in that year reached over 20,000 million yuan, 18 percent of total government spending. (See Table 1.)

If China were to import a large quantity of advanced weapons and military equipment, it would probably have to revamp the entire military command structure above the battalion level to reorient the army to the large-scale operations necessitated by such new technology and equipment. This would involve a tremendous readjustment within the armed forces, and would almost certainly invite a great deal of resistance from the "old guard" in the military rank and file.

Still another important mitigating factor and undoubtedly a primary consideration is China's ability to absorb new military technology into its domestic military industry. The question is whether China is capable of curbing its reliance on imported technology and equipment by using imported products as prototypes for domestic production. China's efforts in this direction have proved unsuccessful. Attempts to copy the Russian-made MiG 19's and MiG 21's, for example, have resulted in the development of Chinesemade F-6's and F-9's, both of which have proved to be less than satisfactory.

For all these reasons, it seems unlikely that China will import much sophisticated weaponry or related

equipment and technology until its financial and manufacturing capabilities—and indeed its overall level of technological advancement—improve considerably. China's purchasing policy will probably remain "cautious and selective" in the foreseeable future.

# CHINA'S CURRENT MILITARY CAPABILITY

All things considered, no significant improvement has been achieved in China's military capability since 1978.<sup>14</sup> The army is still equipped with outmoded T-59 tanks, which lack infrared guidance and fire control systems, as well as gun stabilizer and power traversal mechanisms. The army's improvements have been limited: "Selected infantry divisions have almost tripled their tank inventories; certain artillery units have doubled their fire support capability; and some units have received limited quantities of APC's [Armored Personnel Carriers] in certain units." <sup>115</sup>

Its lack of mobility continues to plague the Chinese army. Crippling shortages of trucks, APC's and transport planes seriously impede the army's ground movement, and hence its defensive capability. These shortages also impede its "offensive" capability, as was evident in China's inability to "win" the 1979 war in Vietnam.

To improve internal communications and supply lines, China has tried to upgrade its highway and railway networks—but with only limited success. As Hua Guofeng asserted in his "Report on the Work of Government" delivered on June 18, 1979,

China must accelerate the technical transformation of the railway trunk lines; build new highways while transforming existing ones; speed up the construction of harbours; and develop inland river transport.

<sup>&</sup>lt;sup>14</sup>For a survey of the strength of China's armed forces, see "The Chinese People's Liberation Army," op cit.

<sup>&</sup>lt;sup>15</sup>United States Military Posture for FY 1981, prepared by General David C. Jones, Chairman of the Joint Chiefs of Staff (Washington, D.C.: Government Printing Office, 1980), p. 77.

TABLE 2: Chinese Naval Force (1978-1980)

	· · · · · · · · · · · · · · · · · · ·	S.S.	Jane's estimates		
Type	1978-79	1979-80	1978	1979-80	
Han-class nuclear-power					
submarine (unconfirmed)	1	1	1	1-2	
G-Class submarine Golf					
with SLBM tubes	1 .	· 1	. 1	1 .	
Sub-Romeo	50	68	42	51	
Sub-Whisky	. 21	21	21	21	
Sub-Ming .	2	. 2	2	2	
Luta-class destroyers					
(SS-N-2)	7	Ź.	7	7	
An Shan (Gordy destroyers)	. 4	4		4	
Riga-frigate (SS-N-2)	4	4	4	4	
P.T.F.G.*					
(Osa-Hola) (SS-N-2)	70	70 .	70	80	
P.T.F.G.*			• •	1	
(Hoku-Komar) (SS-N-2)	70	. 80	70	80 .	

Sources: Strategic Balance 1978-79; Strategic Balance 1979-80 (London: International Institute for Strategic Studies). Jane's Weapons Systems, 1978; Jane's Weapons Systems, 1979-80 (New York: Franklin Watts).

\*Fast Patrol Boat-Guided Missiles

China's rail policy has concentrated on the reconstruction of existing lines, particularly those adjacent to the Soviet Union because these are seen as essential in the effort to "strengthen national defense capability."

In spite of efforts to improve it, the overall fighting capability of China's air force has not increased significantly. China continues to rely on Tu-16 and a few IL-28's for its strategic bomber force, and MiG 19's (F-6's), MiG 21's (F-7's) and F-9's for its fighter-interceptors. In recent years, China has tried to develop a new fighter, the F-12, which will reportedly be powered by the Spey engine. China announced that a delta-winged high-speed interceptor, equipped with "new guided missiles," was tested in October, 1979. Although details are scant, this may have been the test flight of the F-12.

In an effort to enhance its mobility, since 1979 China has been involved in negotiations with McDonnell Douglas over the sale and possible domestic production of DC-9 jets. Negotiations are continuing. In April, 1980, the first of three Boeing 747 super jumbos was delivered to China. Recently, the United States government approved the sale to China of the Lockheed C-130, a versatile four-engine military transport, from its American manufacturer.

Improvements in the Chinese naval force have been few. (See Table 2.) China's navy is basically an inshore force engaged primarily in coastal defense and possessing only limited capability for long-range oper-

ations. The air defense capability of the Chinese vessels is very limited, as is their anti-surface capability. The status of China's nuclear submarine and its conventional submarine, fitted to launch missiles (SLBM's), has not been confirmed. The rest of its submarine force has been operating mainly in shallow coastal waters.

### CHINA'S NUCLEAR MISSILE/SPACE PROGRAM

Since October, 1964, China has conducted 25 nuclear tests; consequently, it has accumulated stockpiles of several hundred fission and fussion weapons. So far, China has not harnessed nuclear power for the production of electricity. <sup>16</sup>

Since April, 1970, China has launched eight satellites. Its strategic missile arsenal includes between 50 and 70 intermediate-range ballistic missiles, IRBM's (CSS-2's) with a range of over 1,500 miles (2,400 kilometers) and between 40 and 50 medium-range ballistic missiles, MRBM's (CSS-1's) having a range greater than 600 miles (1,000 kilometers). On July 3, 1979, China launched a missile that traveled several thousand kilometers, and in February, 1980, yet another missile which reportedly traveled approximately 4,050 kilometers.<sup>17</sup> From what has been revealed, these missiles should all fall into the class of

(Continued on page 38)

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<sup>&</sup>lt;sup>16</sup>Hua reportedly opposed the plan, claiming a nuclear power plant would be too costly for China at present.

<sup>&</sup>lt;sup>17</sup>Globe and Mail, February 26, 1980. One report claimed that China had tested six guided missiles in 1979, the last of which took place on November 26, see *Ta-kung Pao*, March 6, 1980.

"The Chinese environmental record of the past three decades is a mixture of excellent intentions, good achievements, casual neglect and astonishing irresponsibility. And, as is true everywhere, there is a steep price to pay."

# China's Environment

## BY VACLAV SMIL

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The birds have flown to their roost in the tree.

The last cloud had just floated lazily by;

But we never tire of each other, not we,

As we sit there together—the mountains and I.

Li Po (Tang dynasty)

EVERENCE of nature runs unmistakably through the long span of Chinese history. Even the poet always ready to pour full goblets of wine and to "drink three hundred cups in a round" finds the mountains his most faithful companion. Emperors, between the wars and the court intrigues, painted finches in bamboo groves; Buddhist monks sought their dhyana "midst fir and beech"; and craftsmen located their buildings to "harmonize with the local currents of the cosmic breath."

Attitudes, poetry, painting, habits and regulations abound with images of nature and view man as a part of a greater order of things. Old trees are prized for their antiquity and dignity: ancient pines, frost-defying plum blossoms and elegant bamboo. Flowers are loved and admired: magnolias, lotus, chrysanthemum, peonies. There are birds of exquisite plumage (mountain pheasants, finches, ducks, magpies), animals ordinary (horses and oxen) and extraordinary (dragons and unicorns), a universe of peaks and clouds, snow and wind, waterfalls and ponds, reeds and shores, hills and dense forests. The

<sup>1</sup>Li Po's poem "Companion" introducing the article is in the translation of H.A. Giles.

<sup>2</sup>This is Song emperor Hui Zong's (1082-1135) painting in ink and color on silk.

3"Dhyana" by Chang Jian in H.A. Giles translation.

<sup>4</sup>H. Chatley, "Feng Shui" in S. Couling, ed., *Encyclopedia Sinica* (Shanghai, 1917), p. 175.

<sup>5</sup>I have taken these masterpiece titles rather randomly from the collection of paintings in the National Palace Museum in Taipei and from John M. Crawford, Jr., collection.

<sup>6</sup>Yi-fu Tuan, "Discrepancies Between Environmental Attitude and Behaviour: Examples from Europe and China," *Canadian Geographer*, vol. 12, no. 3 (1968), pp. 176-191.

<sup>7</sup>For details of China's climate see I. E. M. Watts, "Climates of China and Korea," in H. Arakawa, ed., *Climates of Northern and Eastern Asia* (Amsterdam: Elsevier Publishing, 1969), pp. 1-117.

<sup>8</sup>Vaclav Smil, "China's Water Resources," *Current History*, vol. 77, no. 449 (September, 1979), pp. 57-61, 86.

titles of the old paintings envelope the mind in the magnificence of nature and call for a reverence: Light Snow on the Mountain Pass; Brocaded Sea of Peach-Blossom Waves; Summer Retreat in the Eastern Grove; Ode on the Red Cliff; Listening to the Sounds of a Spring under Bamboo; Peaks Emerging from Spring Clouds.<sup>5</sup>

Yet there was also a current of destruction and subjugation: the burning of forests and marshes to drive away dangerous animals; the massive, total and truly ruthless deforestation to obtain charcoal, fuelwood and timber for palaces and houses, for cremation of the dead and (a no small effect) for inkmaking soot from burnt pines; the erection of sprawling rectilinear cities eliminating any trace of nature—save for the artificial gardens.

This traditional discrepancy between the environmental attitude<sup>6</sup> and behavior did not cease on that October day 31 years ago when Mao Zedong spoke from the Tian'anmen. The Chinese environmental record of the past three decades is a mixture of excellent intentions, good achievements, casual neglect and astonishing irresponsibility. And, as is true everywhere, there is a steep price to pay.

### CLIMATE

Large-scale continental or hemispheric pressure cells and air flows are beyond human intervention; in this respect China's situation will be always precarious. Open to the cold, dry outflows of the Siberian anticyclone in the winter and to the monsoonal flows, including some violent typhoons, in the summer,<sup>7</sup> the country does not live through a single year without some droughts or floods—and the situation in the late 1970's was unusually inclement.

Writing in these pages last year<sup>8</sup> I described in some detail the 1977-1978 drought, which ranked with the worst dry spells of the past three to five decades. This drought was somewhat relieved in some provinces by the usually reliable spring precipitation, but in others it persisted. Sichuan, China's most populous province, went through another dry winter, and by May, 1979, the drought was severe; in Hubei, the rainless period lasted for some five months; in Heilongjiang and Qinghai, the spring drought con-

tinued into summer; Qinghai recorded 270 rainless days. Summer rains brought relief to a wide swath of the eastern third of the country from Liaoning to Hunan, but the situation worsened in the fall.<sup>9</sup>

Autumnal high-altitude air flows were shifted more northward than usual, and the dry westerly flow from the Tibetan plateau, rather than the moist southwesterlies, affected most of the country. No typhoons accompanied by heavy rains crossed China's southeast coastal area after September, 1979. The drought ensued: between September and early December, 1979, northern China received only 3-10 mm of rainfall, and areas south of the Huai He recorded no more than 10-25 mm, that is, 70-90 percent less than normal. Parts of the east and the south—from Jiangsu and Anhui to Guangxi and Guangdong—had the second smallest rainfall in three decades.

By mid-December, drought was affecting about 15 percent of China's farmland in 16 provinces and was still spreading, with little precipitation forecast for most parts of the south and some parts of the north. Two months later, in February, 1980, the drought areas encompassed one-fifth of China's crop fields in 23 provinces. Most of the worst affected winter wheat-growing areas in north China received sufficient snow and rainfall to provide sufficient moisture for spring farming only in late February and early March, 1980.

Extending irrigation remains the only viable and reliable strategy: 10 irrigation paid off in record grain harvests in 1978 and 1979 in spite of the drought. Artificial rainmaking has been practiced rather widely throughout China, but its effects are minor and very localized. More practical artificial manipulation is the local prevention of severe hailstorms by converting hail to rain, which has been undertaken successfully in some 500 counties, most notably in Sichuan.

Recurrent and persistent droughts, often followed by floods, will shape China's environment regardless

<sup>9</sup>Description of the 1979-1980 drought, as well as other material throughout this article, is based on Chinese newspaper items, radio broadcasts and Xinhua releases too numerous to list separately; only some principal references are given.

<sup>10</sup>In October, 1979, China's irrigated farmland totaled 46.66 million hectares, or about 47 percent of the cultivated total: Xinhua in Chinese, Summary of World Broadcasts (SWB), no. 1055 (October 31, 1979), p. 4.

<sup>11</sup>John K. Galbraith, A China Passage (Boston: Houghton Mifflin, 1973), p. 77.

<sup>12</sup>Heilongjiang provincial service, *SWB*, no. 1028 (April 25, 1979), p. 7.

<sup>13</sup>Soil and Fertilizer Institute of the Chinese Academy of Sciences, "Rational Use of Land Resources," *Guangming Ribao*, August 17, 1979, p. 2.

<sup>14</sup>Edward Derbyshire, "Middle Hwang Ho Loess Lands," *The Geographical Journal*, vol. 144, no. 2 (1978), p. 193.

<sup>15</sup>For details on the Huang He silt problems see Vaclav Smil, "Controlling the Yellow River," *The Geographical Review*, vol. 19, no. 3 (July, 1979), pp. 253-272.

of any human action. However, their intensity and impact can be modified by proper land-use management. Unfortunately, the Chinese record in this respect has hardly been better in the last three decades than in the more distant past. In fact, recent Chinese reports and reviews indicate accelerated deterioration.

## **DEFORESTATION**

One of the strong imprints left on many not particularly observant (and woefully unsuspicious) visitors to China in the 1970's was the country's vigorous commitment to large-scale afforestation—a commitment standing out in sharp contrast to the dismal pre-Communist record of deforestation with abandon. Kenneth Galbraith summed up this impression with a typical grossly erroneous generalization: "The hills of China, which I had always heard of as being bare, are no longer so." 11

A look from the windows of the Beijing-Guangzhou express does not confirm this observation, and the Chinese themselves tell a different story. China's only remaining natural stands of good productive forests are concentrated in the extreme northeast (boreal forest) and in the southwest and south (subtropical biomes)-and both these regions have suffered from heavy commercial logging since 1949. In Heilongjiang, China's most afforested province and the source of some two-fifths of its timber, 1.1 billion cubic meters of wood were removed between 1949 and 1978; and the new growth totaled only 0.6 billion cubic meters. 12 In the Dahinggan mountains, some 200,000 hectares of natural forest were logged without any reforestation between 1964 and 1978, and in the Yichun area forests have been reduced by 100,000 hectares since 1959. The results of Heilongjiang's deforestation have been felt in the decrease of annual rainfall by one-third in 25 years; regular drought has been afflicting areas that formerly suffered only rare dry spells.

During the same period, the rich subtropical forests of Hainan island, which covered 863,000 hectares in 1949, shrank to only 242,600 hectares in 1978, leaving the island with a succession of droughts, floods and shifting sand problems. <sup>13</sup> In Yunnan, China's richest subtropical forest in the Damenglong area of Xishuangbanna was destroyed by logging, conversion to fields, grazing and fires.

The situation has worsened on the already badly deforested loess plateau in the northwest where the bare hills are subject to the world's highest erosion rates, with some severely gullied areas stripped off by as much as 34,500 tonnes per square kilometer annually. Ultimately, this eroded mass ends up in the Huang He, whose silt load increased by nearly 25 percent in the past quarter century, to the total of 1.6 billion tonnes annually. In the opinions of some

Chinese ecologists, the logging, clearing of forests for cultivation, expansion of pastures and fires have so seriously damaged the forests in the Min Jiang basin in Sichuan (Yangzi's large tributary) that the Chengdu plain, inhabited by some 80 million people, is in danger of desertification within a few decades. 16

Serious deforestation reports are coming from all over China; a national symposium on forestry economics was told in March, 1979, that according to an estimate based on the actual annual rate of forest reduction "by the end of this century there will be no trees to harvest." Yet at the same time, one-third of China's timber harvest is still burned as fuel; direct utilization of the precious timber is only 50 percent; and logging residues are rotting in the forests.

All these recently admitted realities stand in sharp contrast to the impressive reported totals of afforested areas running into about 28 million hectares. The explanation of the discrepancy is simple. Since the early 1950's, massive afforestation campaigns meant planting the trees and giving a particular area a nominal very sparse cover. Survival rates after the first winter have been miniscule, and the tree planting may be repeated several times. This explains why, in 1960, it was claimed that the total newly afforested area between 1949 and 1959 was 27 million hectares, while a recent statement put the same total at 28 million hectares for the years 1949-1979. 18

The Chinese apparently cannot stop the wide-spread illegal felling of trees for fuelwood and timber, which flourishes in spite of strict laws and penalties. They have not undertaken massive reforestation in the important timber regions (Heilongjiang, Jilin, Sichuan, Yunnan), and have not invested on a large scale in forest protection (for example, shortages of fire-fighting equipment have been causing high losses), in research or in an effort to introduce new fast-growing species. For these reasons, the outlook remains dim, and continuing deforestation will increasingly endanger the very foundations of the country's food production because of more frequent droughts and advancing desertification and erosion.

## **FARMLAND, PASTURES AND LAKES**

The curious state of Chinese forests—whereby ever larger areas are newly planted in little saplings while the volume of available wood keeps shrinking because of the rapid felling of the remaining dense and highly productive natural stands—has an equally strange counterpart in the state of China's farmland. For three decades, first millions, later tens of millions and, by the mid-1970's, over 100 million peasants worked during the winter and spring not only to terrace, level, irrigate or drain the existing fields but also to reclaim new arable land from slopes, marshes, saline or alkaline flats and, most inappropriately, from pastures and forests.

No nationwide figure is available for the three. decades of crop land reclamation but, judging by the figures published in the 1970's, these additions should have enlarged China's arable land by at least three to five million hectares, extending the 1957 total of about 111.8 million hectares by about three to four percent. However, a document on agricultural development presented at the Central Committee meeting in January, 1979, stated that between 1957 and 1977 more than 100 million mou (nearly seven million hectares) of cultivated land were lost to various capital construction projects.<sup>19</sup> Moreover, in 1979 various Chinese sources, including the Soil and Fertilizer Institute of the Chinese Academy of Sciences, 20 repeatedly referred to just 1.5 billion now (100 million hectares) of arable land.

Adding at least three million hectares of newly reclaimed land to the 1957 total of 111.8 million hectares leads to the conclusion that the Chinese lost some 15 million hectares of farmland to city, town and village growth, which involved large and small factories, roads, railways, irrigation canals and reservoirs. The loss of some 13 percent of farmland in two decades in a country that must feed one billion people from an average of one-tenth of a hectare of arable land per capita is, to put it very mildly, most disquieting.

This huge absolute loss of farmland has been accompanied by a serious qualitative deterioration of many of China's most productive soils. Indiscriminate irrigation is enlarging the area of saline and alkaline soils throughout the Huabei Plain and forming bog or grey soils in the Jiangnan (China south of the Yangzi). For example, in Hunan two-fifths of all cultivated fields have been turned into bog soils, whose decreased air content and temperature retard the release of nutrients and thus slow down rice growth.<sup>21</sup>

Soil degradation in the Jiangnan is accelerated by continuous double- and (increasingly) even triple-cropping, the improper application of chemical fertilizers, the failure to rotate wet and dry crops and the infrequent planting of legumes and green manures. The organic content of paddy soils is decreasing; potassium and phosphorus are especially deficient; and the formation of an impenetrable clay layer below the soil surface prevents root growth and causes

<sup>&</sup>lt;sup>16</sup>Xinhua in Chinese, SWB, no. 1022 (March 14, 1979), p. 16.

<sup>&</sup>lt;sup>17</sup>"Strengthening Research on Forestry Economics," Guangming Ribao, March 17, 1979, p. 4.

<sup>18&</sup>quot;All-Out Effort to Plant Trees," Beijing Review, vol. 23, no. 13, (March 31, 1980), p. 5.

<sup>19</sup>Central Committee of the CCP, "Chung-fa (1979) no. 4," Issues & Studies, vol. 15, no. 7 (July, 1979), pp. 105-106.

<sup>&</sup>lt;sup>20</sup>Soil and Fertilizer Institute of the Chinese Academy of Sciences, op. cit.

<sup>21</sup> Ibid.

frequent rotting. Under these conditions, hybrid strains introduced to yield high harvests bring just two to three tonnes of rice per hectare, below the records set in the 1960's.<sup>22</sup>

A very damaging aspect of the farmland reclamations of the last two decades is the conversion of many formerly excellent pastures into grainfields. These land-use changes resulted almost universally in a multiple failure. The new fields yielded, at best, a reasonable harvest for one or two years. Then, when accumulated nutrients were exhausted, yields plummeted; erosion increased drastically as the once grass-covered and root-reinforced surfaces became bare; and the soils were lost both to crop farming and to formerly productive animal husbandry. Overgrazing has been the other frequent problem, and the combined grasslands losses are hardly trivial.

According to a national conference on grassland development, over one-fourth of China's grasslands have been degraded into sandlands or have turned alkaline. <sup>23</sup> The situation is worst in the Nei Monggol region, above all in Ih Ju, Ju Ud, Ulanqab and Xilin Gol leagues. The consequences are not surprising. Large numbers of cattle die not only of cold but of starvation, and the growth of herds proceeds (if at all) at extremely low rates.

The destruction of grasslands has another and even more dangerous effect. The pastures of Inner Mongolia are the last barrier between the sand deserts and the agricultural plains of north China. The degradation of pastures pushes the desert southward, transforms the local and regional moisture balance, and raises the erosion rates. The last effect can be observed in Beijing, hundreds of kilometers away, where the average frequency of sandstorm days rose from 17.2 days in the 1960's to 20.5 days between 1971 and 1978.<sup>24</sup>

Besides destroying fine grasslands, the irrational Maoist policy of indiscriminate grainfield expansion has drastically reduced China's lake area and has thus deprived the country of valuable nutrition. Close to 90,000 hectares of fields were reclaimed from Boyanghu, China's largest freshwater lake (Jiangxi), during the 1970's, reducing the surface devoted to aquaculture to half its original extent. Of Dongtinghu's (Hunan) 435,000 hectares, only 282,000 hec-

tares remain, while Taihu's surface (Jiangsu) was reduced by more than ten percent and Nei Monggol's Ulansuhai Nur lost two-thirds of its area.

Hubei, the province of thousands of lakes, showed the greatest losses. More than half its 1,065 lakes larger than 1,000 mu were turned into farmland between 1949 and 1978, and the province's water surface shrank by 75 percent.<sup>25</sup> For the same period, incomplete nationwide statistics show a loss of at least 1.33 million hectares of freshwater surfaces, about 25 percent of the total inland area suitable for fish breeding.

The predictable results include the decrease of the inland fish catch (with the late 1970's totals below the levels of the mid-1950's); fewer reeds, waterweeds and plants for manufacture, fertilizer and food; lowered floodwater retention; and profound effects on the local and regional climate (especially the shortening of frostfree periods). Moreover, most of the reclaimed land has been gradually abandoned as unsuitable for cultivation, compounding the economic losses.

Unfortunately, injurious reclamation has not been the only onslaught on China's waters: inland fishing and aquaculture, as well as field crop production, livestock, forests and people, increasingly suffer from exposure to a variety of uncontrolled environmental pollutants.

### **POLLUTION**

Rapid industrialization and urbanization (in spite of continued efforts to transfer people from the cities to the countryside) as well as the increasingly chemicalization of agriculture have all contributed to worsening environmental pollution in China without exception, all major rivers are seriously contaminated in long stretches downstream from large cities and industrial centers. According to Li Chaobo, director of the environmental protection office of the State Council, over 90 percent of industrial liquid waste is discharged without treatment into China's rivers, lakes and coastal waters.26 Concentrations of pollutants reach very high levels during the frequent periods of low water, posing a considerable risk to tens of millions of people dependent on the polluted waters for drinking and cooking.

Recent news items mention serious contamination—including a host of chemicals ranging from phenols to arsenic and from pesticides to cyanide—not only in the heavily industrialized northeast and in the Huangpu Jiang flowing through Shanghai, but in many isolated places affected by local mines, metallurgical establishments or various small industries, and even in the Li Jiang River, flowing through one of the country's most famous scenic regions. <sup>27</sup> Water pollution is the second most important cause (after land reclamation from lakes) of the decline of China's freshwater fish catch.

<sup>&</sup>lt;sup>22</sup>Qiu Hongquan, "The Ox's Nose and Soil Power," Nanfang Ribao, January 23, 1979, p. 2.

<sup>&</sup>lt;sup>23</sup>Xinhua in Chinese, *SWB*, no. 1044 (August 15, 1979), p. 10.

<sup>&</sup>lt;sup>24</sup> Sandstorms Threaten Beijing," *Guangming Ribao*, March 2, 1979, p. 1.

<sup>&</sup>lt;sup>25</sup>Xinhua in Chinese, *SWB*, no. 1026 (April 11, 1979), p. 11.

<sup>&</sup>lt;sup>26</sup>"Environmental Protection," Beijing Review, vol. 23, no. 12 (March 24, 1980), p. 5.

<sup>&</sup>lt;sup>27</sup>Xinhua in English, *SWB*, no. 1022 (March 14, 1979), p.

Air pollutants also remain virtually uncontrolled. About ten million tonnes of particulate matter, ranging from fine flying ash from large power plants to gross soot from household stoves, are released annually. More important, over 12 million tonnes of sulfur dioxide SO<sup>2</sup> are also emitted annually, posing a far more dangerous as well as a more intractable problem. While particulates can be controlled with existing equipment, the large-scale commercial controls of SO<sup>2</sup> are not yet mature even in the United States, causing the increasingly more alarming acid rain phenomenon.<sup>28</sup>

Acid rain is immeasurably more threatening to China than to the United States: acidization would further degrade many already degraded and scarce farm soils, ruin the pastures and wipe out many desirable freshwater fish, thus endangering China's always precarious food production capacity. Yet the Chinese want to go from the current 625 million tonnes of coal to one billion before the end of this decade and to two billion by the year 2000, at least tripling the mass of SO<sup>2</sup> entering the atmosphere.

The effects of air pollution are already serious: especially in the northern cities where the winter dispersal of pollutants is limited by thermal inversions, many Chinese are suffering from chronic respiratory diseases (bronchitis, emphysema), 29 crop yields are down, and cattle have digestive and respiratory disorders in many localities. Plans for the building of huge coal-fired power plants, the large expansion of chemical industries, and the introduction of more cars into China's cities (most of which have nearly ideal environmental conditions for the generation of a photochemical smog once enough car exhaust gases are added) do not add up to a cleaner future. Another intensive and persistent environmental pollutant in China's cities is noise. Official Chinese admissions credit Beijing with a higher noise level than Tokyo, a city about twice as large, with 15 times as many cars, and the situation is equally bad in any large Chinese city.<sup>30</sup>

The official Chinese line (China just a few years ago was haughtily lecturing the despicable West about its

environmental mess and about China's enviable policies of thoughtful protection and care) is to admit the country's sorry environment and, before it is too late, to take essential moves toward the gradual alleviation of the problems.

There are laws on the books prohibiting illegal tree felling and unauthorized deforestation, and bold new plans have been published outlining unprecedented afforestation drives for the 1980's and the planting of a "Great Green Wall" in the country's dry northern regions to check desertification and protect the cropland.31 Yet at the same time newspapers report that officials are forbidding the peasants to plant trees on their own on the barren communal land.32 The Communist logic sees in such moves a dreadful shift to private enterprise, and so the desperate peasants in Yan'an region (that once extolled heart of the revolution) must still rely on dried dung to cook their meager meals. The next five to ten years will be critical; if forest conservation and planting have not achieved a significant qualitative jump by 1990, the prospects for the 1990's will be very grim indeed.

New regulations (finally) forbid the further conversion of grasslands and lakes into grainfields and order the reconversion of the reclaimed fields. This is undoubtedly a move in the right direction. But it is more important to minimize the losses of good farmland to industrial and housing construction and to transportation, particularly in view of the fact that the country is in an overzealous haste to build everything at once to promote "modernization." If the current trend goes unchecked, the Chinese may have doubled their industrial capacity by the end of this century, but much of their best alluvial farming soil will be gone forever.

Even with rational and conservative land use policies consistently implemented everywhere, the task of environmental management will have just begun. The pressures on land to produce more will inexorably continue, necessitating higher applications of chemical fertilizers and pesticides, more irrigation and double- or triple-cropping, less frequent crop rotation, more animals on pasture, and more and larger feedlots near large cities. Each of these steps creates its own serious environmental problems. Thus the blind pursuit of higher outputs made possible by these inputs and practices may look successful for a

(Continued on page 42)

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<sup>&</sup>lt;sup>28</sup>Acid rain is now a critical environmental threat throughout much of Europe, eastern U.S.A. and Canada, in parts of Japan and in most of the European U.S.S.R. With greater envisaged reliance on coal everywhere, its impact is bound only to worsen. In China the prevailing winds would carry the sulfur dioxide from large planned power stations in Shanxi right over the North China lowland.

<sup>&</sup>lt;sup>29</sup>Kyodo in English, SWB, no. 995 (August 30, 1978), p.

<sup>&</sup>lt;sup>30</sup>Xinhua in Chinese, *SWB*, no. 1025 (April 4, 1979), pp. 1-2.

<sup>&</sup>lt;sup>31</sup>Xinhua in Chinese, SWB, no. 1041 (July 25, 1979), pp. 11-12.

<sup>&</sup>lt;sup>32</sup>Jiang Shaogui, "Why Ban a Good Thing Helpful to Peasants?" *Renmin Ribao*, November 13, 1979, p. 2.

"If China's leadership is to continue to feed its people at current standards or, better still, if it wants to improve the existing diet, it must break through the barriers to further food output increases that have been erected by traditional technology and enthusiasm-sapping social relations."

# Feeding One Billion People: Agricultural Modernization in China

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ARLY in his political career Chairman Mao Zedong wrote: "What is the greatest question In the world? The greatest question is that of getting food to eat." For those well fed, the sentiment is trite and the insight is unremarkable. But for most people in China then and now, the question was and remains of the utmost urgency. For the Chinese, the Malthusian calculus is not an academic exercise. It is an immediate, ever-present concern that can turn to catastrophe at any time. Sixty years after Mao's words had been written down-30 of those years socialist—Deng Xiaoping, Mao's unannointed successor, took up the theme: "The most important problem confronting the Chinese people," he said in 1979, "is to have enough to eat." The Chinese word for population is jen-k'ou: literally "people's mouths."

After the death of Mao, an uncommonly generous volume of information was allowed to seep out of Beijing. The regime of Deputy Prime Minister Deng Xiaoping pledged itself to "seek truth from facts," and the facts were distressing. The material condition

of China's peasantry can be measured in two ways: by per capita income in money terms and by food availability per mouth.

Table 1 shows the per capita income of commune members derived from work for the collective, not from household plots and family sideline production activities. The figures are for commune members, not just for working members,<sup>2</sup> and are national averages. Some peasants are better off (especially those living in communes on the outskirts of large cities), and some are below the average. In its issue of November 26, 1978, the *People's Daily* made reference to a county in the Ningxia Hui Autonomous Region where the peasants' per capita monthly income derived from collective work was 2.42 yuan (\$1.45 a month or 5 cents a day).<sup>3</sup>

Because about 90 percent of the caloric intake comes from foods that are subject to strict physical rationing or which, like pork, originate on the rural household's own family plot, glaring interpersonal inequalities in food distribution, like the inequalities suffered in many developing countries, are not so much in evidence, certainly not on the routes traveled by foreign guests. Where disparities exist, they are caused primarily by adverse local weather conditions, location of the income distribution units, transportation problems, local variations in agricultural tax policy, and—at least in the past—political discrimination against people of "incorrect" class origin (former landlords and rich peasants and their descendants). Most peasant families own their homes and do not pay rent; they may get their water free from the village well and very rarely have to meet electric power bills. Nonetheless, 14 cents per head per day is not much to live on. An average urban family in China today earns 252 yuan per head per year (\$151.20), that is 21 yuan (\$12.60) per head per month, or 42 cents a day—three times more than the average rural family.4 Basic foods, like grain and vegetable oil and (nowadays) pork, as well as basic necessities like cotton fabric are available to the urban family at low state-controlled prices and are physically rationed. The ration fluc-

'Deng Xiaoping, TV interview, October 15, 1979, in Beijing Review (BR), January 14, 1980, p. 21. "The saying: 'For the people the supreme thing is food, food comes first,' should never be forgotten. If we neglect the problem of food we shall have to face turmoil some day." Li Xiennien, Hongqi (Red Flag), September, 1978, p. 9.

<sup>2</sup>It is not altogether clear whether figures for "commune members" refer to everyone living on communes or only to people over 15 years old. In recent months the term "peasants" rather than "commune members" has been used in these calculations. I assume the figures refer to all people living on communes and are, I assume, all-inclusive, including basic rations, cash and in-kind income.

<sup>3</sup>This was after a prolonged drought in the area.

<sup>4</sup>I assume a family of five with two persons working in modern industry and/or the state administration. One wage earner brings in 55 yuan a month, the other 50 yuan.

<sup>5</sup>The retail prices of grain and vegetable oil are lower than the prices paid by the state for grain and vegetable oil to the communes. The urban pork ration is typically about 0.5 kilograms per month per person. To alleviate somewhat the burden of the grain and oil price subsidy, the state has recently raised quite sharply the urban retail prices of various foods other than grain and vegetable oil.

			Yuan			Dollars	
Year	•	Per Year	Per Month	Per Day	Per Year	Per Month	Per Day
1978		74.00	6.17	. 0.21	44.40	3.70	0.13
1979		84.00	7.00	0.23	50.40	4.20	0.14

Table 1: Per Capita Income of Commune Members Derived from Work for the Collective
(In yuan and U.S. dollars)\*

\*The yuan-dollar exchange rate is taken to be 1 yuan = \$0.60. Source: State Planning Commission, Beijing Review, April 21, 1980, p. 17.

tuates less in urban than it does in rural areas.

Every peasant in China is guaranteed a minimum grain and vegetable oil allocation. The grain ration seems to be in the neighborhood of 8 taels (0.4 kilograms) a day or 12 kilograms a month per adult; the vegetable oil ration is 0.25 kilograms a month per person.6 The actual adult grain ration is determined by the physical need of the person receiving the ration. Thus people engaged in very demanding jobs will receive a larger ration than those performing light tasks. Adolescents whose parents do not do heavy work receive increased rations. Children below the age of 10 receive somewhat smaller allocations than adults. The grain ration consists mostly of rice in the south and wheat and coarse grain in the north. Sometimes sweet potatoes (at a weight ratio of 5:1) are included. Rationed grain is husked grain. The overall level of the grain ration has not been raised in more than 20 years. In times of severe natural calamities (and during man-made calamities like Mao's Great Leap Forward, 1958-1959), the ration has been reduced, sometimes sharply.

Roughly 70 percent of the distributed income from collective labor is shared more or less equally among all the peasants through the rationing of basic necessities. The remaining 30 percent is distributed to individuals according to their respective personal contributions to collective work as measured by work points. This comparatively egalitarian income dis-

\*The Gang of Four

tribution system was more marked in the past (before the gang\* was put away) when nearly 90 percent of distributed income was shared fairly equally. The egalitarian trend was buttressed in the past by a ban on grain and oil trade at the (free) village fairs. Today such trade is permitted after the commune has fulfilled its delivery obligations to the state. The prices of grain and oil traded at rural fairs are higher than the official state purchase and retail grain prices, but upper limits on market prices are placed by local authorities who administer the rural markets.

The "equalitarianism" with which income distribution remains infused is nowadays mildly deplored by the output-oriented post-Mao leaders because, they argue, it has disincentive effects on labor productivity and caters (prematurely) to the welfare state mentality of the "iron rice bowl"—the "unbreakable bowl" or the "common pot" from which everyone helps himself irrespective of personal labor input. The socialist distributive principle of "to each according to his work" is thus violated at high cost to productive efficiency. A few years back, when the gang was in charge, egalitarianism of this kind was seen as a particularly instructive and meritorious achievement of the New China: an object lesson to the Soviet revisionists. But when there is only 14 cents worth of grain and cooking oil in the pot in a day, it is not easy to give up equal sharing without condemning a lot of people to starvation.

The dilemma is clear from statements like this:

We must on the one hand oppose the reactionary fallacies of building socialism in poverty, transition [to communism] in poverty, making revolution in poverty, and so forth, advocated by Lin Biao and the gang of four, and on the other hand oppose the idea of bringing about a so-called "welfare state" in China now. Our principle has always been: one inch of increased production, one-tenth of an inch of additional welfare. . . . We must adhere to the principle "to each according to his work" and "more pay for more work," but must also take care of the entire country and our neighbors [i.e., relieve regional and personal distress]. 7

In some places peasants have been asked to monitor levels of pay to make sure that the egalitarian policies of the gang of four-dominated years are not revived.<sup>8</sup>

That the material condition of peasants in China is not satisfactory was confirmed dramatically during the winter of 1978-1979 when tens of thousands of peasants trudged to Beijing and camped outside the

<sup>&</sup>lt;sup>6</sup>Central Intelligence Agency estimates put the grain ration at between 15 and 20 kilograms per adult per month. A child of ten might receive 12 kilograms, and a child of five, 10 kilograms or less. CIA, China Demand for Foreign Grain (Washington, D.C.: National Foreign Assessment Center, January, 1979), p. 2. The 8 taels (0.4 kg) figure is from a Xinhua (New China News Agency) report on conditions in Anhui Province, Beijing Radio, January 20, 1979, in Foreign Broadcast Information Services (FBIS), January 23, 1979. Christopher Howe in his China's Economy: A Basic Guide (New York: Basic Books, 1978), p. 171, puts the grain ration (husked rice) at 0.3 kilograms daily per person, and average grain consumption at 0.55 kilograms per head per day. A Hong Kong source, China News Analysis (CNA), no. 1149, March 2, 1979, p. 2, puts the yearly vegetable oil ration at 2 kilograms or 0.17 kilograms per person per month.

<sup>&</sup>lt;sup>7</sup>Zhejiang Ribao article of February 9, 1980, broadcast by the Zhejiang Provincial Radio Station, Hangzhou, on that date, in FBIS, February 20, 1980.

<sup>&</sup>lt;sup>8</sup>Beijing Radio, May 16, 1979, in FBIS, May 18, 1979.

Table 2: Grain Availability

	1957	1977	1978	1979
Grain production, soybeans included (million metric tons)	195	283	305	332
Net grain imports (million metric tons)	0	6	8	8
Total grain availability (million metric tons)	195	289	313	340
Population at year end (millions)	641	945	958	(972)
Total grain availability per capita (kilograms)	304	306	327	(350)
Non-human consumption (livestock feed, reserves, loss in transport and storage, loss of weight due to dehusking) estimated at 40% of total grain availability per				(4.40)
capita (kilograms)	122	122	131	(140)
Per capita availability of husked grain for human consump-		•	·.	
tion (kilograms)	182	184	196	(210)
Basic annual grain ration per capita (kilograms)	146	146	146	146
Surplus above basic grain ration per capital (kilograms)	36	38	50	(64)

Sources: 1957: Ten Great Years (Peking, 1960). 1977-1979: State Statistical Bureau, Communiqué, June 27, 1979, Beijing Review, July 6, 1979, pp. 37-38; State Statistical Bureau "Communiqué on Fulfillment of China's 1979 National Economic Plan," Beijing Review, May 12, 1980, p. 14.

() = estimated

official residence of the party leaders to protest their poverty. According to eyewitness reports by foreign correspondents, many of the peasants were "sick, on crutches, dressed in rags and tatters, wretchedly poverty stricken." Some tried to sell their children because they could not feed them. After 1958, said an editorial in the *People's Daily* (January 28, 1979),

agricultural production grew rather slowly and the improvement of the peasants' living standard remained negligible. . . The burden on the peasants was constantly increasing. . . The countryside had been impoverished, and in some places the peasants led a very hard life.

The meager income that commune members derive from collective endeavor (and which is almost entirely accounted for by the distribution of basic necessities) is supplemented by earnings obtained directly or indirectly (via sales on the "free" village fairs) from the family plot, household handicrafts, and part-time

<sup>9</sup>Agence France Press (Beijing), January 23, 1979, and February 2, 1979, in *FBIS*, January 25, 1979, and February 5, 1979.

<sup>10</sup>See, Ch'en Juo-hsi, "Night Watch," in *Occasional Papers/Reprints Series*, University of Maryland School of Law, no. 9, 1979, pp. 41-57.

<sup>11</sup>In 1978, in the Xinshisi production brigade, Gannan county, Heilongjiang Province (by all accounts an above average brigade), the per family income from both collective and household sideline activities reportedly came to 2,000 yuan. Assuming 6 persons per household, the total per capita income that year was 27.78 yuan a month. Assuming per capita income from collective work to have been 10 yuan a month (3.83 yuan above the 1978 national average), income from household sidelines was 17.78 yuan per head per month, or 64 percent of total per capita income. Renmin Ribao (People's Daily), January 20, 1979, in FBIS, January 23, 1979.

<sup>12</sup>Some authorities suggest that dehusking alone may involve a weight loss of up to 20 percent. The proposed expansion of livestock will surely place an additional burden on total grain supplies.

<sup>13</sup>Beijing Review, April 21, 1980, p. 18.

work of some family members in commune-run miniindustries or at industrial workshops in nearby towns. Household income is also supplemented by stealing from the common pot. 10 Even in a well-to-do commune like Qianzhou (70 miles northwest of Shanghai), one-fourth of the peasants' total income is derived from work on private plots, while the plots represent only 7 percent of the commune's agricultural land. The share of supplementary income from private activities on the poorer communes is likely to be much higher. I am inclined to believe that in some instances income from private plots and household subsidiary activities represents as much as 60-70 percent of total peasant income, and practically all cash income.<sup>11</sup> There is a popular saying in China: "For grain rely on the collective; for cash rely on yourself."

Is the basic grain allocation actually available? If so, how much of a surplus is there over this bare minimum? Table 2 addresses itself to these questions. The per capita grain availability figures in Table 2 are, I think, the most optimistic that the data warrant. The share of grain used for non-human consumption and losses in transport, storage and dehusking are probably more than 40 percent. 12 The estimated 1979 population of 972 million looks suspiciously low. But, by and large, what Table 2 suggests is that in 1977 (the year after Mao's death and the gang's arrest) per capita grain availability was no better than it had been 20 years earlier; that things improved afterward, but that the surplus over and above the rationed rockbottom need remains slender. Li Renjun, vice minister in charge of the State Planning Commission, describes the situation: "The peasants' life is still hard in areas struck by natural disasters or with longstanding retarded economic development."13 The peasants' life is still hard, period.

What does 200 kilograms of grain per capita per year mean? Is it enough? It translates roughly into

2,000 calories a day per person, which is adequate if there are also other sources of calories in the diet (meat, fish, oil, fruit, vegetables, sugar, dairy products) and provided proteins amount to 60 grams a day per person. In the Chinese diet, all sources of calories other than grain contribute only about 9 percent of total caloric intake (i.e., they add up to 200 calories per head per day for a grand total of 2,200 calories), proteins come to about 50 grams per head per day.14 This just about meets minimum standards set by the United Nations Food and Agricultural Organization and other international agencies concerned with nutrition. Still, the food supply is barely adequate. Natural calamities must be prevented if possible, and man-made disasters (great leaps, class warfare in the countryside and other socio-ideological exercises) must be kept in check. The peasants need peace and tranquility and protection from the whims of the bureaucrats.

### **ECOLOGICAL DAMAGE**

Visitors to China are deeply impressed with the enormous expenditure of raw human energy on the land. Everywhere they see dikes being built, ditches dug, trees planted, hillsides terraced, the land leveled. This gigantic job is done by hand, with precious little help from machines and draft animals. The effort, it is now revealed, has not been all positive. True enough, grain output between 1952 and 1979 doubled (to feed an additional 400 million mouths) and, except for the aberration of the Great Leap Forward, hunger has been kept at bay. Yet the margin separating barely adequate food supplies from disaster has not been greatly widened, and it remains almost as narrow as it was in the 1950's. For various reasons now attributed to the idiocy of the gang of four but probably inherent in the centrally planned system itself, widespread and lasting ecological damage has been done, especially in the last ten years.

At the root of the trouble was the drive—launched in 1962 in the wake of the Leap at a time of acute food shortages—to grow more grain. The objective was understandable, but the execution was apparently botched. The attack on the problem was "extensive," that is, it relied primarily on the addition of production factors (especially land and labor) rather than

on the qualitative improvement of factors, and it was indiscriminate. It is in the nature of the Communist system that, once an order is issued at the top of the political pyramid, it is enforced by cadres at all rungs of the ladder irrespective of whether the instruction is sensible under local conditions. And so, in the rush to grow more grain, grasslands were plowed under, lakes were drained, forests were chopped down, and mountainsides were terraced without attention to marginal cost and productivity. Other farm pursuits (e.g., livestock raising, fishing, vegetable farming) were neglected, and direct damage was inflicted on the soil, forests, grasslands, rivers, lakes and climate. This is one of several problems that foreign visitors did not see in China, and—except for the Leap years 1958-1959-the subject was little discussed in Western literature.

A few examples must do.

The area affected by the washing away of soil by water is as great as 1 million square kilometers, that is, more than one-tenth of the whole territory of China.

An estimated 1.3 million hectares of good land turn into desert every year. <sup>15</sup> In Sichuan and Jiangxi Provinces, hill slopes with gradients of between 25° and 50° have been plowed, with the result that practically all the soil has been washed away by rain. In Sichuan and Yunnan twice as many trees are felled as are planted every year; the result has been serious erosion of soil. <sup>16</sup>

Places which used to be favorable to both people and cattle and which had a bountiful supply of water and grass have turned into barren lands without a single blade of grass for grazing sheep. Only sand and wind remain.... Statistics show that more than one-fourth of China's grasslands have deteriorated into sand or have been alkalized. Since 1965, Ih Ju League, Nei Monggol [Inner Mongolia] has reclaimed more than 6 million mou [400,200 hectares] of land and turned 10 million mou [667,000 hectares] of land into sand, which accounts for 41 percent of the total arable land. Annually more than 3 million mou [200,100 hectares] of pastures have been reduced to sand. . . . In the winter of 1977-1978 Xilin Gol League in Nei Monggol was hit by a big snowstorm... More than 3 million of the League's 7 million head of animals died outright. 17

Lakes have been converted into cultivated fields. In Hubei, in 1949 there were 1,065 lakes; now there are only 500. "The volume of fish now being caught does not reach the level of twenty years ago.... The amount of aquatic products from rivers and lakes is about half of what it was in 1954." 18

Rivers have been polluted by industrial wastes and silted up. The results of attempts made over the last 30 years to curb the erosion of the loess lands along the Yellow River are judged by the Deputy Directory of the Nanjing Pedological Institute to have been "negligible." The anti-erosion work was constantly disrupted by political storms. "There are people who are worried that the Yangzi may turn into a second

<sup>15</sup>Renmin Ribao, October 16, 1979, p. 4, in CNA, no. 1172, January 18, 1980, p. 5.

<sup>16</sup>Renmin Ribao, September 13, 1979, p. 3., in CNA, no. 1172, op. cit., p. 5.

<sup>&</sup>lt;sup>14</sup>In Japan the daily intake is 2,500 calories per person per day, 52 percent of it being from non-grain foods. Protein intake is 80 grams per person per day. In Taiwan the per capita daily intake is 2,800 calories and 77 grams of protein.

<sup>&</sup>lt;sup>17</sup>Beijing Radio, July 29, 1979, in *FBIS*, August 3, 1979. <sup>18</sup>*Renmin Ribao*, October 18, 1978, p. 1, in *CNA*, no. 1149, March 2, 1979, p. 2.

Yellow River. Such concern is not without foundation."<sup>19</sup> Already the Yangzi is ranked fourth among the world's large rivers in regard to the volume of soil carried by the water.<sup>20</sup> The overall situation was summed up in a *People's Daily* article by Chen Qing of the Ministry of Land Reclamation.

The area of our country is 9.6 million square kilometers, which is 14,400 million mou. Of this, 1,500 million mou [100 million hectares], one-tenth, is arable. For thirty-six years, caring for the one-tenth only and neglecting nine-tenths, we mercilessly cut down trees and caused large-scale destruction, with the result that the rate of forest reconstruction is down to 12 percent. The hills on the upper course of the Yellow River have turned barren, the loess in the river has increased dramatically. The Yangtse and, in the northeast, the Sungari and Liao Rivers are gradually becoming like the Yellow River. In the mountainous regions of Xinjiang, the area where snow does not melt is expanding; loess carried from the northwest is pressing close to Beijing. Four thousand million mou of grassland is without the protection of forests . . . 1,500 million mou of arable land is 'without the protection of trees; precipitation is declining and the underground water table is sinking. The stalks of the crops are burned as fuel, and the organic elements of the soil have decreased to about 1 percent.21

The blunders of the past are today ascribed to (a) the ideological stupidity of the gang, (b) the technical-scientific incompetence of the cadres brought about, in part, by the damage inflicted on research and education by the Cultural Revolution<sup>22</sup> and, (c) still discreetly but more and more openly, the system itself, including the commune form of organization and the relationship between party authorities and the farmers.

Against the alarmist post-1976 revelations emanating in Beijing must be set China's record of feeding—modestly, to be sure—one-fourth of the world's population out of a mere 12 percent of the country's land area and the fact, noted by the American Wheat Studies delegation in 1976, that the average quality of China's cultivated soil is quite high and favorable to the growing of a large variety of crops.

From 1949 to 1976, the increases in output registered by China's agriculture were due mainly to the application of an "extensive" strategy of rural development, that is, to increased inputs of labor, land and capital (especially "farmland construction," meaning irrigation and drainage works built by peasants, terracing and leveling, road building, the addition of organic fertilizer storage facilities, more livestock and increases in the size of farmland units), dissemination of and marginal improvements in existing farm technologies, and-perhaps-institutional reorganization (land reform, collectivization, communization). The stress was on the brute growth of production factors and current inputs, accompanied by relatively modest qualitative improvements. The major expansion took place in labor inputs: in both the size of the agricultural labor force (which expanded by 50 percent between 1952 and 1976) and the number of average annual man-days worked by this larger labor force. Despite direct reclamation efforts, the "expansion" of land mainly took the form of multiple cropping and intercropping on existing farmland made possible by irrigation and drainage works built by the larger labor force,23 by more manure collected and applied by more peasants working longer hours than before, and by the popularization of fast-maturing, short-stemmed crop varieties developed on commune experimental plots. The combination of increased labor intensity per unit of land, expanded multiple cropping, farmland capital construction, and—more controversially—organizational change within a fairly stable "traditional" technological environment, allowed increases in per hectare yield and total output.

However, there is apparently a limit to the potential output and yield increases that can be obtained by relying mainly on muscle and peasant ingenuity rather than on basic research and expert technical innovation. This limit (sometimes referred to as the "high level equilibrium trap") is reached when significant diminishing returns begin to set in.

In the simplest terms, it is taking more and more labor in China today to secure the same rates of increase in output, and the additional labor needed to do this is ever harder to get. Obtaining more output by simply throwing more labor at the problem has reached its limits. To break out of this traditional trap it is necessary to stir up the sluggish technological milieu, that is, to move from extensive to intensive development. In short, China's agriculture must be modernized.

(Continued on page. 40)

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<sup>&</sup>lt;sup>19</sup>Renmin Ribao, September 4, 1979, p. 4, and Guangming Ribao, September 7, 1979, in CNA, no. 1172, January 18, 1980, p. 2.

<sup>&</sup>lt;sup>20</sup>Renmin Ribao, December 22, 1979, p. 4, in CNA, no. 1172, op. cit., p. 3.

<sup>&</sup>lt;sup>21</sup>Renmin Ribao, November 30, 1979, p. 3., in CNA, no. 1172, op. cit., p. 6. The cultivated area of 100 million hectares is roughly the same as in 1952.

<sup>&</sup>lt;sup>22</sup>The ecological mess "reflects the total absence of scientific knowledge from the heads of many cadres. We have people leading agriculture who know nothing about agriculture." *Renmin Ribao*, September 13, 1979, p. 3, in *CNA*, no. 1172, op. cit., p. 5.

<sup>&</sup>lt;sup>23</sup>Although the "cultivated" area in China today is not very different from what it had been 25 years ago, the "sown" area is significantly larger because of multiple cropping. The multiple cropping index increased by almost one-fifth between 1962 and 1976.

". . . the formidable problem confronting the current industrial modernization is the built-in contradiction between modernization and employment. China's total labor force now exceeds 400 million people, of whom 300 million are farmers and 100 million are workers and employees."

# Industrial Modernization in China

BY CHU-YUAN CHENG

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HINA's industrial modernization program, unfurled by Premier and party Chairman Hua Guofeng in February, 1978, has undergone substantial revision since the beginning of 1979. The original plan, which included Herculean goals for accelerating the industrialization process, has been replaced by a three-year retrenchment plan (1979-1981) promulgated by the Chinese Communist party's (CCP) Eleventh Central Committee at its third plenary session convened in December, 1978. Under the new guidelines of "readjustment, restructuring, consolidation and improvement," both investment and production targets have been dramatically curtailed. Recent official statements indicate that a new ten-year development plan will guide the country's modernization program into the last decade of this century.1

When Hua Guofeng enthusiastically announced the eight year plan (1978-1985) in February, 1978, it was dressed in the garb of another great leap forward. The original plan called for an increase in the output of major industrial products to exceed that of the total increase in the past 28 years (1949-1977); investment budgets for capital construction during the eight-year period were to equal the total for the past 28 years.<sup>2</sup>

To achieve these goals, the plan stipulated the construction of 120 large-scale projects, including 10 iron and steel complexes, 9 nonferrous metal complexes, 8 coal mines, 10 oil and gas fields, 30 power stations, 6 new trunk railways and 5 key harbors. As a result of these planned expansions, industrial output was expected to grow at an annual rate of increase of more than 10 percent for the eight-year period. The plan envisioned a doubling of steel output between 1977 and 1985, and a doubling of coal output between 1977 and 1987.

During the first year of the new program, more than 100,000 construction projects were launched. Capital investment for agriculture, industry, transportation and public utilities totaled 61,970 million yuan, or approximately US \$40 billion, representing a 50 percent increase over the proceeding year. Adding the costs of procurements for military equipment and investment for scientific development, the outlay for the four modernizations programs in 1978 totaled 74 billion yuan, 24 percent of the 315 billion-yuan national income reported by the Chinese government.

Other extrabudgetary construction projects were undertaken by various departments and localities. The rate of accumulation in 1978 was officially stated as 36 percent of national income, far exceeding the 24 percent rate in the first five-year plan and close to the 40 percent accumulation rate during the disastrous great leap years (1958-1959).6

Because the scale of capital investment was beyond the reach of material and financial resources, the goals were overzealous. Lacking material and financial supplies, many projects failed to be completed on schedule, resulting in a frightful waste of manpower and materials. The annual waste alone was put at 5 billion yuan, equivalent to the average annual wages of 10 million workers.<sup>7</sup>

To alleviate the financial and material strains, in its 1978 December meeting the Chinese leadership decided to suspend immediately those projects in which resources and geological conditions were uncertain, where available technology was not up to production requirements or adequate supplies of fuel, and where power and raw materials were not guaranteed. It also

<sup>1</sup>Kyodo News Service (Tokyo), March 21, 1980, and *Huachiao Jih-pao* (New York), April 3, 1980, p. 1.

<sup>2</sup>According to first Deputy Premier Deng Xiaoping, this accumulative sum was in excess of 600 billion yuan. See Deng's article, "Why China Has Opened Its Doors," Bangkok Post, February 10, 1980, and reprinted in the Foreign Broadcast Information Services (FBIS), February 12, 1980, L2.

<sup>3</sup>Hua Guofeng's report on the work of the government, *Renmin Ribao*, March 9, 1978.

<sup>4</sup>Zhang Jingfu, Minister of Finance, "Report of 1978 Final Budget Account and 1979 State Budgets," Xinhua Yuebao (Beijing), no. 6, 1979, pp. 30-37.

<sup>5</sup>According to the State Statistical Bureau, China's 1979 national income was 337 billion yuan, representing a 7 percent increase over 1978. The 1978 national income can be derived as 315 billion yuan or \$U.S. 198 billion. See Xinhua-Beijing, April 30, 1980.

<sup>6</sup>Renmin Ribao, Contributing Commentator's article, "Make Concerted Efforts in Fighting Well the Hard Battle of Readjustment," November 23, 1979.

<sup>7</sup>Jingji Yanjiu, no. 5, 1979, p. 7.

ordered investment cuts in the metallurgical and machine-building industries, assigning investment priority to weak links in the economy like the coal, oil, power, transportation, communications and building materials industries and to projects that could be completed in a short time and could earn foreign exchange.<sup>8</sup>

Under this new guideline, investment as a percentage of state expenditure dropped from 40.7 percent in 1978 to 34.8 percent in 1979. The construction of 348 large- and medium-scale projects was halted, and 4,500 small projects were scrapped. Of those projects suspended, the bulk involved the metallurgical, chemical and machine-building industries. The construction of 38 large- and medium-sized steel projects, including the giant steel complex in Eastern Hebei, was terminated. More than 240 small iron smelting plants and small mines were also eliminated. Total capital outlays for the metallurgical industry in 1979 were slashed by 45 percent.

Despite these drastic curbs in capital investment, in 1980 the economy is still in a state of severe imbalance. The energy and raw material supplies fall short of the demand for existing industrial enterprises, and consumer goods supplies lag behind the increase of social purchasing power. In April, 1980, the State Capital Construction Commission called a national conference and demanded the further scale-down of capital construction. In Shanghai, the country's leading industrial center, capital construction projects for 1980 have been cut by one-third. Two hundred and thirty-four large- and medium-sized industrial projects and 86 other individual projects including 160 projects of the machinery, chemical and metallurgical industries have been terminated or postponed, comprising 64 percent of the total investment cut. In some underdeveloped areas, like the Nei Monggol autonomous region (Inner Mongolia), capital construction investment in 1980 was trimmed by as much as 40 percent.

#### **CHANGES IN SECTORAL PRIORITIES**

The curtailment of capital investment in steel, chemical and machinery industries in 1979 and 1980 signified a wholesale retreat from the ambitious goals enunciated by Hua Guofeng. The cut in steel and machinery investment also represents a fundamental shift in development priorities. In the original plan, the high priority of industrial development rested on

basic industries like steel, coal, electric power, petroleum, chemical and nonferrous metals. In 1978, of the total investment, 54.7 percent went to heavy industry, 10.7 percent to agriculture and only 5.4 percent to textile and light industries. Since textile and light industries provided the largest share of state revenue, the lopsided development of heavy industry made capital accumulation difficult. The rise of procurement prices for agricultural products and the hike in urban wages greatly increased consumer purchasing power. Without a corresponding expansion in consumer goods production, enthusiasm from workers and peasants is not likely to be aroused.

On March 26, 1979, a signed commentary in Beijing's Guangming Ribao (Illumination Daily) disclosed that the party leadership had ordered a fundamental shift in development priority. With rare frankness, the paper admitted that China's industry faced a series of structural imbalances, including (1) imbalance within and among industries like fuel, power and raw materials; (2) disequilibrium between light and heavy industries; (3) imbalance between agriculture and industry; and (4) imbalance between accumulation and consumption. In view of these imbalances, the paper contended, top priority must go to agriculture, followed by light and heavy industries in descending order.

Because of these problems, there has been a shift in the relative shares of capital investment among various economic sectors. The share of capital investment for agriculture was raised from 10.7 percent in 1978 to 14 percent in 1979 and to 16 percent in 1980. The share of investment for textile and light industries rose from 5.4 percent in 1978 to 5.8 percent in 1979, and may reach 8 percent in 1980. Conversely, the share for heavy industry dropped from 54.7 percent in 1978 to 46.8 percent in 1979, and may be less than 45 percent in 1980. The share for heavy industry dropped from 54.7 percent in 1978 to 46.8 percent in 1979, and may be less than 45 percent in 1980.

The chief victim of the readjustment plan is the steel industry. For more than two decades, steel was considered the mainstay of modern industry; investment in the steel industry alone accounted for one and one-half times the total investment for textile and light industries. The entire industrial sector took steel as the key link and other industries were designed to serve steel production. By 1978, the Chinese steel industry was officially estimated as having an annual capacity for producing 55 million tons of steel. However, China turned out only 32 million tons in that year, because of the shortage of coke, coal, electricity and iron ore. Before the revision of the plan, China contracted with Japan for a modern integrated steel complex to be built at Baoshan near Shanghai, with a capacity of 6 million tons at a cost of \$2 billion. China also contracted with West Germany to construct a giant steel complex at Eastern Hebei at a cost of \$14 billion.

<sup>\*</sup>FBIS, April 3, 1979, L14-15.

<sup>&</sup>lt;sup>9</sup>In 1978, profits and taxes provided to the state by the textile industry exceeded 10 billion yuan or one-sixth of total investment. Xinhua-Beijing, January 10, 1980.

<sup>&</sup>lt;sup>10</sup>The 1978 and 1979 figures are from *Xinhua Yuebao*, November 6, 1979, p. 26. The 1980 agriculture figures are official, but the figures in light and heavy industries are projected by the author.

	9781	19792	1985³	19854
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3.7	24.0			
	31.8	34.5	60	42
0 61	18	635.	900	745
3.6	04	106.2	500	135
2.4 : 00	F/ /	202		
<i>5.4</i> 2:	50.0	282	n.a.	. 455
57 (	65.2	73.0	100	90
	3.6 10 3.4 2	3.6 104 3.4 256.6	3.6 104 106.2 3.4 256.6 282	3.6 104 106.2 500 3.4 256.6 282 n.a.

Table 1: Actual, Planned and Projected Output of Five Major Industries, 1977-1985

Expansion and renovation also involved existing major mills in Anshan, Wuhan, Baotou, Beijing, Tangshan and Chongqing. The original goal was to produce 60 million tons of steel in 1985 and 180 million tons by 2000. Under the current readjustment plan, the output of steel is to be reduced to only 45 million tons in 1985. The 1980 output target is set at only 33 million tons, 1.4 million tons less than in 1979. Because the existing capacity of the steel industry has already surpassed the output requirement, new construction projects have been terminated or postponed.

Other heavy industries bearing the brunt are machine-building and chemicals. Both industries achieved phenomenal growth during 1952-1978, but their capacities were underutilized, because of the decline in demand and critical shortages of raw materials. In 1980, investment in the chemical industry was curtailed by 30 percent. Within the capital goods industries, fuel, power, construction materials and railway construction remained on the priority list.

Coal is by far the most significant source of China's primary energy, accounting for about two-thirds of its energy supply. During the past two decades (1957-1978), the output of coal rose at an average annual rate of 7.7 percent, lagging behind the growth rate of industry as a whole (10.1 percent). The original plan called for the development of eight new major mines to raise the total output from 500 million tons in 1977 to 1 billion tons by 1987. The output of coal went up 12.3 percent in 1978, but registered a very moderate growth of 2.75 percent in 1979, because of insufficient dressing plants and sluggish tunneling works. As coal is the prime source of energy and a major item for export, its share in capital construction has not been affected by the current retrenchment.

Continually receiving high priority in the readjustment plan is the petroleum industry. Originally, Chinese planners were counting on a rapid rise in petroleum output not only to meet growing domestic demands, but to meet export demands as well and thus to be a prime earner of foreign exchange. In May, 1977, Hua Guofeng announced that China would build 10 major new oilfields comparable in size to Daqing. The statement implied an output target of 500 million tons of crude oil by 1985.

During the past three years, production began in seven new oilfields: (1) the Renqiu oilfield on north China's central Hebei plain, with an estimated annual output of 10 million tons in 1979; (2) the Dongpu oilfield (still in the initial stage of development) in the border area of Shandong and Henan Provinces along the lower reaches of the Yellow River; (3) the Nanyang oilfield in southern Henan Province, with an estimated current annual output of 3.7 million tons; (4) the Liaohe oilfield in the northeastern province of Liaoning, with an annual output of 5 million tons; (5) the Zhenwu oilfield in the northern part of Jiangsu Province; (6) the Nanjiang oilfield (South Sinkiang) in the southern part of Xinjiang Autonomous Region; and (7) the northern Daqing oilfield around Daqing, with deposits expected to produce 3 million tons of crude a year. The operation of these new oilfields may add about 20 million tons of crude oil to the total crude output.

However, the bulk of crude oil still comes from the three oil fields: Daqing (50 million tons), Shengli (20 million tons) and Dakang (5 million tons). Since Daqing, the country's leading oilfield, has been exploited for almost two decades, its output is believed by many oil experts to have peaked. As the develop-

<sup>1977</sup> and 1978 figures are from State Statistical Bureau, "Communique on the Fulfillment of China's 1978 National Economic Plan," June 27, 1979, in FBIS, September 24, 1979, L<sup>2</sup>-L<sup>4</sup>.

<sup>&</sup>lt;sup>2</sup>1979 figures are from State Statistical Bureau, "Communiqué on the Fulfillment of China's 1979 National Economic Plan," April 30, 1980, FBIS, April, 1980, L¹-L¹º.

<sup>&</sup>lt;sup>3</sup>For the original plan figures, see Chu-yuan Cheng, "The Modernization of Chinese Industry," in Richard Baum, ed., China's Four Modernizations: The New Technological Revolution (Boulder, Colorado: Westview Press, 1980), p. 44.

<sup>&</sup>lt;sup>4</sup>The projected figures are based on the following assumptions: (a) an annual average growth rate of 5 percent between 1981-1985 for steel, crude oil and cement; (b) a 4 percent growth rate for coal and (c) an 8 percent growth rate for electricity.

ment of new fields fell behind schedule, the growth rate of crude oil output, which averaged 22.5 percent annually between 1957 and 1978, has fallen sharply, from 11 percent in 1978 to 1.9 percent in 1979. The 1979 output showed a miniscule rise of 2.5 million tons, indicating that the petroleum industry has failed to play the critical role assigned to it.

Another industry on the priority list is electrical power. In the original plan, Beijing called for the construction of 20 hydropower stations and 10 thermal power stations. The most important projects are to be located on the upper and middle reaches of the Yangzi and Yellow Rivers. Among those under construction are the 2.7-million kilowatt-capacity Gezhouba hydropower station in the Three Gorge area on the Yangzi River and the 1.6-million kilowatt-capacity Longyang Gorge Station on the upper Yellow River. When completed, these two stations are expected to generate 19.5 billion kilowatt-hours of electricity annually, equivalent to about 7 percent of the 282 billion kwh generated in 1979.

Despite this expansion, acute shortages of electricity remained. In south China, many industrial plants work on a four-day week schedule because of the inadequate supply of electric power. Electricity output in 1979 increased by 9.9 percent, falling behind the 13 percent annual growth achieved between 1957 and 1978. The output target for 1980 is an increase of only 2.9 percent, well below the 6 percent growth of industrial output. Sluggishness in the growth of power supply has become the major deterrent to China's industrial development.

The focus of the current readjustment plan has been on textile and light industries, two sectors long neglected. In 1979, many provinces and municipalities set up special organizations to promote textile and light industries. Priority was given to the needs of the textile and light industries for raw and semifinished materials, fuel, power and funds. The funds and loans available to light industry in Sichuan rose by two-thirds in 1979, compared to 1978. In 1980, state loans for textile and light industries came to 2 billion yuan. In addition, \$300 million was assigned for importing machinery and raw materials. As a result of increasing investment and material supplies, light industry's output in 1979 scored a 9.6 percent growth, surpassing the 7.7 percent growth of heavy industry for the first time. In the first quarter of 1980, the average daily output value of China's textile industry rose 30 percent over the same period of 1979, while the output of light industry rose by 21 percent. The shift of emphasis has gradually steered Chinese

industry toward a better balance between the capital goods and consumer goods sectors.

#### REVAMPING INDUSTRIAL MANAGEMENT

Apart from the expansion of productive capacity, the modernization plan hinges on the restructuring of the management and control system. Thus far, China's industry has been operating considerably below its potential, because of deep-seated organizational shortcomings. As Fang Weizhong, vice chairman of the State Planning Commission, commented:

The system involves three basic defects: first, the mandatory plans from the top mummify extremely complicated economic activities; second, the management of economic affairs through an administrative system and by administrative fiat severs intrinsic economic links and excludes the use of appropriate economic means, creating great waste in time and materials; third, without the power to make decisions, enterprises are bound hand and foot and employee initiative and enthusiasm are stifled.<sup>11</sup>

To remedy these defects, corrective measures have been adopted in the past two years. The first major attempt to streamline the industrial structure centered around revamping industrial organization. Recently, most industrial establishments have been small but comprehensive or self-reliant enterprises, leading to tremendous duplication. These comprehensive enterprises have prevented specialization, standardization, serialization, and other hallmarks of modern industry. <sup>12</sup> According to the latest reform, small enterprises of various types are to be amalgamated into specialized companies, with a major enterprise as the core.

By late 1979, official statistics revealed that 970 specialized companies and general plants of various types had been established throughout the country. These "large and comprehensive" and "small and comprehensive" factories were dissolved and transformed into specialized companies according to products, spare parts, accessories and industrial technology. In major industrial centers, like Shanghai and Tianjin, transprovincial joint ventures had been established to break down the old boundaries among trades, enterprises and administration. Instead of producing every component of a few products, each enterprise specializes in the manufacture of a limited number of parts that can be used in several different pieces of equipment, making it possible to reduce costly duplication in organization, personnel and fixed assets. A leading Chinese economist estimates that in the process of reorganization, some 50,000 marginal enterprises out of a total of 400,000 state enterprises will be eliminated.

The second major reform is the granting of decision-making power to individual enterprises. Over the past three decades, the central departments imposed rigid norms and regulations on regions and

<sup>&</sup>lt;sup>11</sup>Fang Weizhong, "Thoughts About Reform on Economic Management," Renmin Ribao, September 21, 1979.

<sup>&</sup>lt;sup>12</sup>Hu Qiaomu, "Act in Accordance with Economic Laws, Speed-Up Realization of the Four Modernizations," *Renmin Ribao*, October 6, 1978.

individual enterprises for output, funds, machinery and equipment, marketing, salaries and wages. The state not only set production plans, supplied materials, marketed the products; it also took away most of the enterprise's profits and made up its losses. Consequently, the success or failure of an enterprise had no direct bearing on the economic welfare of the enterprise itself, or its staff and workers. In 1978, more than one-fourth of the state enterprises operated at a loss. To promote management efficiency, an experiment in expanding enterprise autonomy was first introduced to 100 industrial and transportation enterprises in Sichuan Province. The experimentation was soon extended to 3,300 different types of enterprises in all parts of the country.

In mid-1979, the State Council issued five directives that formally granted selected state-owned enterprises the right to: (1) draw up their own production plans and sell above-quota output directly to other units; (2) retain 5 percent of their assigned profits and 20 percent of their extra profits after state quotas are fulfilled; (3) promote workers according to the principle of "more pay for more work" and control their own welfare and bonus funds; (4) receive bank loans for investment; and (5) negotiate directly with foreign companies and retain a share of their foreign exchange earnings. 13

In addition to organizational reforms, the restructuring process also involves changes in material management. Under the old system, all capital goods and intermediate goods were classified into three categories according to the levels of administration: those distributed by the state, those controlled by the ministries and those controlled by local government. The system created unnecessary red tape and proved to be inflexible and inefficient. The new system reclassified all capital goods and intermediate goods into those distributed under state plans, those to be sold by supplies enterprises and those to be used by production enterprises. Vital materials and equipment, like fuel and major machinery, are still subject to state-planned distribution, but the producing enterprises can now sell part of their products to customers. For secondary capital goods and materials, like bearings, tools, chemical products, metallic materials and construction materials, the producing enterprises (after fulfilling contracts) may sell any surplus in the market. All materials not in the first two groups are available for production and sale. The new reform represents a major step in the building of a capital goods market.

Another thrust in the same direction is the issue of bank loans to replace state budget appropriations for capital investment. In the past, all state-approved construction projects were automatically financed by state budget. The system caused great waste in capital and undue prolongation of the construction period. Since the second half of 1979, 150 capital construction projects have been undertaken solely with bank loans. In 1980, textile, power, tourism, metallurgical, building materials, machine-building and light industries in Shanghai and 11 other provinces are experimenting with the new system. Funds derived from bank loans now account for 30 percent of the investment in capital construction in Hubei Province and 28 percent in Fujian Province. Eventually, all capital investment will shift to bank loans.

All these experimental plans have one common goal: to abolish the highly centralized management system, which seriously shackles the initiative of managers and workers, and to build a system that combines central planning with a market mechanism similar to the market socialism in Yugoslavia.

## PROBLEMS AND PROSPECTS

The program of readjustment and restructuring has achieved mixed results in the 18 months. While the industrial structure and management system are moving toward rationalization, the industrial modernization program has apparently encountered many barriers.

The curtailment of capital formation and construction has not been progressing smoothly. As noted in the party newspaper *Renmin Ribao*, (People's Daily)

Many departments and areas have started projects that should not have been started; refused to suspend those projects that should have been discontinued ("dismount from the horse but do not loosen the saddle"). Some feared that cutting down accumulation and curtailing capital construction would make it possible to expand production. Others feared that readjustment might affect the speed of economic development.<sup>14</sup>

Consequently, although investment covered by the state budget in 1979 remained unchanged from that (Continued on page 43)

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<sup>13</sup> Zhongguo Xinwen, July 29, 1979.

<sup>&</sup>lt;sup>14</sup>Contributing Commentator's article, "Make Concerted Efforts in Fighting Well the Hard Battle of Readjustment," *Renmin Ribao*, November 23, 1979.

"There has been no hint from the Chinese leadership that the party is prepared to relax its control over public security, the procuracy and the courts. If party interference with individual criminal cases continues, it is unlikely that the enactment of the criminal code and the criminal procedure code will have any significant effect on the operation and quality of the criminal justice system of the People's Republic of China."

# China's New Legal System

BY HUNGDAH CHIU

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or 30 years, the People's Republic of China (PRC) operated a "legal system" without a criminal code or criminal procedure code, a phenomenon unprecedented in Chinese history. When the Western world was suffering the chaotic medieval age, the Chinese Empire of the T'ang Dynasty (A.D. 618-907) enacted a comprehensive legal code, generally followed by all subsequent dynasties; although each revised, amended or expanded the code to fit its needs, none attempted to change its basic principles.

From 1949 to 1979, however, China was without a code of substantive or procedural criminal law. Then, between June 18 and July 1, 1979, with surprising speed, the National People's Congress enacted seven laws, including a criminal code and a criminal procedure code (the Congress did not use the term "code," though both enactments are in the nature of codes and will be referred to as such in this paper). Both entered into force on January 1, 1980.

Immediately after the promulgation of these codes, a national publicity campaign began to make the codes known to all the people. All the leading Chinese dailies published the full texts of the codes, with explanatory articles and commentaries. In addition, the Central People's Broadcasting Station broadcast a 20-minute special program on criminal law every other day for several weeks. Never in the 30-year history of the PRC had criminal law and procedure been so widely discussed. Why did the PRC abandon its 30 years of action without a criminal code or a criminal procedure code? To answer this question, one has to know how the criminal justice system worked before the codes were enacted.

The only important criminal legislation before the present criminal code was the Act for the Punishment

\*This information was gathered from interviews.

<sup>1</sup>For details, see Jerome Alan Cohen, The Criminal Process in the People's Republic of China, 1949-1963, An Introduction (Cambridge: Harvard University Press, 1968); Shao-chuan Leng, Justice in Communist China (Dobbs Ferry, N.Y.: Oceana, 1967); and Hungdah Chiu, "Criminal Punishment in Mainland China: A Study of Some Yunnan Province Documents," Journal of Criminal Law and Criminology, vol. 66, no. 3 (1977), pp. 374-398.

of Counterrevolutionaries of the PRC, promulgated on February 21, 1951. This act broadly defined many acts as counterrevolutionary. Two articles deserve special attention: Article 18 made the act retroactive to cover "preliberation" activities, i.e., acts committed before the establishment of the PRC in 1949; Article 16 set forth the principle of crime by analogy, i.e., crimes not specified in the act may "be punished according to analogous specified crimes in the act."

#### UNPUBLISHED REGULATIONS

However, the lack of a comprehensive criminal code and detailed statutes did not hamper the work of the people's courts, since they were instructed to follow the orders or the policies of the government or the party in cases not covered by existing law. Moreover, unpublished regulations apparently defined murder, rape, arson, and many other common crimes and set forth the maximum and minimum penalties for each.\* However, no specialist on Chinese law has been able to obtain a copy of these regulations, and their contents remain a mystery.

In judicial practice, as a rule the people's courts did not indicate the law or the particular provisions according to which a judgment was rendered. After the facts of the case were stated, the accused was sentenced to imprisonment or death without discovering what law he was alleged to have violated.

The administrative organs, primarily the public security organs (police), were also empowered to impose sanctions similar to criminal sanctions. Under the Security Administration Punishment Act of the PRC, promulgated on October 22, 1957, a person could be fined up to 30 yuan (about US \$20), the average monthly wage of a Chinese worker, and detained for 15 days by the public security organs. During the detention period, the detained person was required to assume the cost of his own meals; a prisoner who could not pay for his meals was required to work instead. Like the Counterrevolutionary Act, this act includes the principle of crime by analogy, authorizing the public security organ to impose sanctions for acts not specified in the act "by comparison with the most similar acts enumerated in the provisions of this act (Article 31)." The decisions of public security organs applying this act were not subject to judicial review.

On August 3, 1957, a decision of the State Council formally authorized administrative organs to send rightists, persons not engaged in proper employment, persons who did not obey work assignment or job transfer orders, and others to "rehabilitation through labor," i.e., a de facto criminal penalty in labor camps for criminals for an indefinite period. Again, these decisions of the administrative organ were not subject to judicial review.

With respect to the criminal process, in 1954 the PRC had established a four-level, two-trial (one appeal) court system. Below the Supreme People's Court, local courts included higher people's courts, intermediate people's courts, and basic people's courts. While it was technically possible for an accused to appeal a sentence to a higher-level people's court, few accused tended to assert this right, because of the great weight the PRC placed on the individual's confession. A confession was the main ingredient in determining the severity of one's sentence. Those who confessed were regarded as honest in quality and therefore deserving of lenient treatment. Those who resisted and refused to confess were considered unrepentent and were therefore subject to severe punishment and harsh treatment in order to reform their reactionary thinking.

Except for an Arrest and Detention Act promulgated on December 20, 1954, there was no criminal procedure law. While the Arrest and Detention Act provided some safeguards against arbitrary arrest and detention (requiring a warrant before arresting a person, notification of procurator within 24 hours after an arrest and the release of the arrested person within 48 hours if the procurator did not approve the arrest), it was almost totally ignored soon after its promulgation.

Moreover, the PRC criminal process was premised on the "presumption of guilt," i.e., an accused was presumed guilty unless he could prove his own innocence. A recent textbook, published in Beijing last year, described the situation:

In practice, it frequently happened that in the course of the investigation when the defendant denied he had committed any crime, the trial personnel would ask: "If you did not commit crime, why arrest you here? Why arrest you and not another?"<sup>2</sup>

Torture was also frequently used to extract a confession from the accused. In this regard, the same book states:

In practice, they were using tortures to extract confessions . . . . There have been fewer and fewer cases of publicly resorting to torture to extract a confession; however, it was not infrequent to resort to disguised physical tortures to get a confession. There were great varieties of "disguised torture" and it is difficult to list them one by one. For instance, in a public security organ when a defendant refused to confess his crime, an investigating official told other codefendants under detention that "they should try to help him." Then the investigating official withdrew from the scene; the other detainees then beat the defendant many times until he finally confessed his crime at the next investigating session. They also resorted to "continuous investigation" by conducting an investigation day and night and not letting the defendant rest or ordering the defendant to stand for a long time. In other words, resorting to physical abuse or wearing him down so as to extract a

Moreover, a suspect could be detained for indefinite periods of time until he confessed his crime.<sup>4</sup>

A peculiar aspect of the PRC's criminal justice system was that the class background or social status of an accused had a significant impact on the sanctions imposed. If an accused was characterized as a black element—like former landlords, rich peasants, rightists and others (the categories could be changed or augmented in response to the political winds of the moment)—then he was likely to receive a more severe punishment for a given offense than a person who was not a black element. On the other hand, Communist party members were not usually subject to normal judicial processes and, if they were, they usually received less severe sentences or no punishment at all. Ironically, high party or government officials could also be purged without any criminal process. They sometimes simply disappeared or were detained in an unknown place for many years or abused to death.

Although legal institutions were a major revolutionary target of the Cultural Revolution in 1966, they were not exempt from the destruction of the "establishments." Many high officials, including the president of the Supreme People's Court, Yang Xiufeng, were purged or abused without resort either to judicial process or to regular party process. The operation of the criminal justice system during this period was vividly described by a recent PRC publication:

[The Gang of Four] let loose hoodlums and thugs to

<sup>&</sup>lt;sup>2</sup>Teaching and Research Office of Beijing Political-Legal Institute, Zhonghua renmin gonghequo xinshi susong fa jiangyi [Lectures on the criminal procedure law of the People's Republic of China] (Peking: Qunzhong chubanshe, 1979), p. 74.

<sup>&</sup>lt;sup>3</sup>Lectures, op. cit., p. 52.

<sup>\*</sup>See generally Bao Ruo-wang (Jean Pasqualini) and Rudolph Cheminski, Prisoner of Mao (London: Penguin Books, 1976). A recent PRC publication reported that a homicide suspect had been detained for 18 years despite the fact that the higher-level judicial organ had already decided that there was no evidence proving his guilt. He was held because the leadership insisted that in order "to maintain the decision of the city party committee" he should not be released. Special Group Assisting the Handling of Cases from the Southwest Political-Legal Institute, "Looking at Some Problems Relating to Judicial Works from the Practice of Handling Cases," Xinan zhengfa xueyuan xuebao (Journal of the Southwest Political-Legal Institute), no. 1, May, 1979, p. 27.

smash, grab and loot, to break into and ransack homes, illegally detain people, set up kangaroo courts and torture innocent people to extort confession . . . In many cases even a semblance of judicial proceedings was dispensed with. Personal property and personal freedom were willfully encroached upon and safety of people's lives was not guaranteed.<sup>5</sup>

Since early 1978, scarcely a day has passed without a report in the authoritative *People's Daily* (Renmin Ribao) or other official newspaper of a reversal of verdicts against innocent people convicted or simply executed or imprisoned before 1976. Some miscarriages of criminal justice revealed by these publications were shocking. For instance, Communist party member Chang Chih-hsin's throat was cut and she was kept alive by a steel tube before her execution on April 3, 1975.6 (The victim's throat was cut or pierced with a long needle to prevent her or him from shouting "reactionary" slogans at the public mass sentencing and execution meeting.)

### THE NEW CRIMINAL CODE

Under this irrational, unpredictable and repressive criminal justice system, could the PRC administer its modernization program? The leadership apparently did not think so. In order to carry out the ambitious modernization program, the Chinese criminal justice system had to be strengthened and perfected to provide an orderly, predictable environment for economic development. The PRC was also confronted by a population demoralized and frightened by years of chaos and uncertainty, so it was necessary to offer them a more secure environment. It was especially important to gain the confidence of the intellectuals, who had suffered most in the last decade. Without their enthusiastic participation, it would be impossible to modernize China's economic and technological establishments. Moreover, during the Cultural Revolution, the lack of discipline had seriously affected production on various levels; there were also serious problems, like corruption and waste, in the operation of state enterprises. It was therefore necessary to reestablish social discipline and order and to enact laws that would put the operation of state enterprises in order. As an article in the People's Daily

5"Prospect and Retrospect, China's Socialist Legal System," Beijing Review, vol. 22, no. 2 (January 12, 1979), pp. 26-27.

<sup>6</sup>Lectures, p. 123.

<sup>7</sup>Cited in Fox Butterfield, "China Is Codifying Legal System and Plans to Insure Open Trials," The New York Times, January 15, 1979, pp. Al, A4.

<sup>8</sup>Wei was the editor of the underground publication *Tanshuo* (Exploration), which advocated more democracy in China. Soon after he published an article in March, 1979, describing political prisoners' torture in China, he was arrested. See Fox Butterfield, "Peking Dissident, in Rare Account, Tells of Political Prisoners' Torture," *The New York Times*, May 7, 1979, pp. Al, A10.

As there is no unified criminal law, lawlessness has become universal .... The concept of a legal system has become very shadowy indeed among both the cadres and the masses .... There are cadres who openly protect criminal members of their unit .... There are cadres who set up their own laws .... <sup>7</sup>

The Criminal Code has a total of 192 articles. But although it makes more specific the types of acts subject to criminal sanctions, some provisions are vague in defining the kinds of conduct that come within their reach. For instance, Articles 116 and 117 provide penalties for "grave" violations of customs, foreign exchange, tax and other regulations, to be imposed in addition to the administrative sanctions provided by the regulations. But nowhere does the code define the term "grave violations." Moreover, following the precedent of the 1951 Counterrevolutionary Act, the new code retains the principle of analogy. Thus Article 79 provides:

Those who commit acts not explicitly defined in the specific parts of the criminal law may be convicted and sentenced, after obtaining the approval of the Supreme People's Court, according to the most similar article in the law.

The code narrows the definition of a counterrevolutionary by stressing that such a person must have committed some overt act; apparently, the harboring of a damaging thought against "the dictatorship of the proletariat and the socialist system" is not a criminal act (Article 90). However, the significance of this improvement was drastically reduced on November 29, 1979, just a few weeks before the effective date of the code, when the standing commit-. tee of the National People's Congress decided that most of the laws and decrees promulgated since 1949 would remain in force. This apparently included the 1951 Counterrevolutionary Act, and on October 16, 1979, the Peking Intermediate People's Court invoked this act to sentence Wei Jingsheng to 15 years imprisonment for alleged counterrevolutionary acts.8

### **CODE OF CRIMINAL PROCEDURE**

In February, 1979, before the promulgation of the Criminal Procedure Code, the PRC promulgated an arrest and detention law to replace a 1954 law. The 1979 law establishes three conditions for arrests:

(1) The principal facts relating to the crime committed must be thoroughly investigated; (2) the crime or crimes must be such that the criminal would be liable, if convicted, to be sentenced to imprisonment; and (3) the arrest must be absolutely necessary.

Any arrest, in principle, should be authorized by a warrant; however, public security organs may detain major suspects or persons accused of a crime before obtaining a warrant in such cases like assault and battery, robbery, and seriously undermining work, production and social orders. Evidence against the

detainees must be submitted to the appropriate people's procuratorate within three days or, in special circumstances, within seven days. The procuratorate must either sanction the arrest or order the release of the detainee within three more days. The law further provides that interrogation must start within 24 hours after any arrest and that the detainee must be released if no positive evidence is found.

How seriously the PRC public security organs will comply with this law remains an open question. For example, the underground publication *Dadi* (Great Earth) reported on November 4, 1979, that when Wei Jingsheng was arrested on March 29, 1979, he demanded that the public security personnel show him their arrest warrant, but was told, "We want to arrest you, why do we need an arrest warrant!" A week later, the arrest warrant was issued by a people's court.

On paper the new Code of Criminal Procedure, with a total of 164 articles, marks a major step toward rule by law, rather than by decree or whim. Article 4 provides that all citizens are equal before the application of law and that no privilege will be allowed before law. Earlier, in January, 1979, the PRC proclaimed a new policy toward former landlords and rich peasants announcing that "as long as former landlords and rich peasants and their descendants support socialism, they will no longer be discriminated against." It is also widely believed that henceforth party members will be subject to normal criminal process and will enjoy no privilege before the law.

The code provides the right to defend one's case or to hire a lawyer to do so (Article 26), as well as requiring an arrest warrant and notification of the family of the arrested within 24 hours (Article 50). The code also limits preliminary detention during an investigation to three months (but the standing committee of the National People's Congress may indefinitely extend the detention period for specific cases, Article 92) and provides for the principle of public trial (Article 110), the mandatory review of all death sentences by the Supreme People's Court (Article 144), and other progressive measures.

How seriously the authorities will enforce the new

code of criminal procedure remains to be seen. However, two recent cases have cast doubts on China's willingness to effectuate all the guarantees of the code. In the trial of Wei Jingsheng on October 16, 1979 (less than three months before the entry into force of the Procedure Code), none of Wei's family members or friends were allowed to enter the courtroom, and foreign correspondents were turned away, although a notice on the wall of the court on October 16 said that Wei's trial would be open to the public. While there were several hundred spectators at Wei's trial, a woman who attended said afterward that she had received her ticket the day before the trial at work and had been instructed to attend. 10 This indicates that the authorities may in fact render the public trial provision in the code meaningless.

Another case relates to the detention of the Gang of Four (Chairman Mao Zedong's wife and her top associates). They have been detained since October, 1976, but no formal charge has ever been filed against them, despite voluminous articles published in Chinese publications accusing them of causing all the evils of the last decade. Moreover, there has been no report that the standing committee of the National People's Congress has approved their continued detention. As a matter of fact, it is still not clear whether the followers of the gang of four will be able to enjoy equality of law under the new procedure code.

### **CONCLUSION**

There is no doubt that the enactment of the criminal code and the criminal procedure code is a landmark in the history of the PRC; these codes represent China's first serious effort to begin to develop a more just, predictable and equitable criminal justice system. However, even on paper the PRC has continued to avoid certain crucial modernizing changes in its criminal justice system. The principle of analogy remains intact; the practice of rehabilitation through labor, i.e., the placing of a person in a labor camp for up to four years without judicial review, is not only maintained but strengthened;<sup>11</sup> and the standing committee of the National People's Congress has ensured the continued validity of criminal legislation like the 1951 Counterrevolutionary Act.

Technical and practical difficulties in implementing China's new criminal code and criminal procedure

(Continued on page 44)

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<sup>&</sup>lt;sup>96</sup> Policy Towards Descendants of Landlords and Rich Peasants," *Beijing Review*, vol. 22, no. 4 (January 26, 1979), p. 8.

<sup>&</sup>lt;sup>10</sup>See Fox Butterfield, "Leading Chinese Dissident Gets 15-year Prison Term," The New York Times, October 17, 1979, p. A3.

<sup>11</sup> On November 29, 1979, the standing committee of the National People's Congress passed "Supplementary Regulations Concerning Rehabilitation through Labor," which provide, inter alia, for the establishment of a Governing Commission on Rehabilitation through Labor in Provinces, Autonomous Zones, and Large and Middle Size Cities. The duration of rehabilitation through labor is from one to three years and may be extended for another year. See Renmin Ribao (People's Daily), November 30, 1979, p. 1.

"Although China's leaders are gripped by a sense of urgency reinforced by the view that much time was fruitlessly lost in the 1960's and 1970's, they are carefully avoiding the intense mobilization solutions of early years. This view should help to ensure that future 'shifts' will reflect a process of mutual accommodation of interests and values and will generate a pattern of adaptive rather than radical change."

# Liberalization and Reform in Chinese Politics

BY VICTOR C. FALKENHEIM

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FTER almost four years of sweeping economic and political reforms, unprecedented institutional experimentation, and unparalleled political diversity, China appears to be entering a period of resurgent orthodoxy and political discipline on the eve of a new party congress and a revised ten-year economic plan. The recent fifth plenum of the party central committee further entrenched Vice Premier Deng Xiaoping's pragmatic coalition in power, purged the four remaining senior "leftists" on the Politburo (popularly dubbed the small gang of four), and formally rehabilitated Liu Shaoqi. Observers disagree about the scope, severity, and political dynamics of this shift. But they agree that these actions did in fact signal an end to an era of freewheeling debate and conflict. The significance of this shift and its implications for the broader program of economic restructuring and political and cultural liberalization remain open questions. Some analysts deprecate the importance of these recent changes, regarding them as part of a limited and quite inevitable process of adjustment in an era of transition. Others, however, foresee a dismaying return to enforced orthodoxy and a major retreat from liberalization.

Leaving aside the larger issues, it seems indisputable that a marked retrenchment has been taking place since the middle of 1979. The 18-month period from the return of Deng Xiaoping to an active political role as Deputy Prime Minister in July, 1977, to the landmark third central committee plenum in December, 1978, when Deng succeeded in overcoming the political opposition and pushing through his programmatic and leadership changes, was markedly more lively and combative. Although generalizations about this period are hazardous, the widely publicized slogan "emancipation of thought" generated a good deal of untrammeled discussion, despite the muzzling of the radical left.

The main impetus behind the unprecedented mandate for open debate was the desire of the leadership simultaneously to discredit the Gang of Four's "ultraleft ideological system" and to explore alternative

approaches to political and economic reform. In the context of the leadership struggle between Deng's pragmatic faction and the loose coalition of Mao loyalists (known as the "whatever faction" for their fidelity to "whatever Mao wrote or did"), the result was a series of forceful official attacks on the party's inquisitorial and heavy-handed role as the arbiter of orthodoxy. There were calls for an end to political sloganeering, revolutionary mass movements and leadership cults, the latter denounced as a form of "feudal patriarchism." By calling for an end to all politically sacrosanct "forbidden zones," the press implicitly waived any formal limits to discussion.

The effort to loosen the grip of dogma and precedent was accompanied by efforts at democratization both in the civic arena and the work place, efforts accorded central priority and legitimacy by statements that stressed democracy as a prerequisite for modernization itself. Democracy, as described in the press, was to emerge not simply from official beneficence, but from the "people's own struggle." In addition, in both political and economic dimensions, democracy was to be guaranteed by the establishment of a new framework of law designed to protect citizens against arbitrary harassment or arrest.

These proclamations of intent were given credibility by the political rehabilitation of millions of people victimized before and during the Cultural Revolution (1966-1976), by vigorous government efforts to remedy a vast backlog of public grievances and, strikingly, by the dramatic decision after almost 30 years to restore full citizen rights to the millions of former "class enemies," landlords and capitalists who had been excluded from the "ranks of the people" after 1949. The public response to these words and actions was spontaneous and overwhelming, manifest in the loosening of life-styles and of public discourse and symbolized by Xidan "Democracy Wall" in Beijing, by the return of political jokes, and by the fad for among other things, Hong Kong sunglasses.

In contrast, the past 18 months, and particularly the period since early January, 1980, have reflected a different emphasis. Disenchanted by the wave of vocal discontent and public cynicism that surged most visibly in early 1979, the party leadership has sought to clarify the doctrinal and behavioral limits within which "emancipation" and democratization may proceed. Complaining that "some people don't understand the meaning of emancipation," the national trade union newspaper wrote:

When we say don't follow Marxism-Leninism dogmatically, they deny its leading role; when we expose the difficulties caused by the gang of four, they doubt the superiority of socialism; when we oppose feudal despotism, they boost extreme democracy.

But the purpose of emancipation, as another commentary noted, was to help people free themselves from taboos, not to "encourage illusion or allow bourgeois liberalization."

Similar commentaries on democracy stressed its utilitarian role as a means to modernize, not as an end in itself, and one which further implied strict limits. One commentary drew an analogy from basketball, comparing the boundary lines of the court to the rules and limits implicit in democracy. The purpose of democractic reforms, in the official view, was to create the conditions for "scientific centralization" of policy, not to foster individualism or plebiscitary rule. China's program of modernization required "millions of people to march in step," and any confusion of socialist rights with bourgeois notions of human rights would defeat that goal.

In similar vein, the emphasis in the discussion of legal reforms shifted from a stress on protecting individuals from the state to a stress on the duties of citizens to obey the law and the need to protect the state and the majority of citizens from the anarchic behavior of individuals. Faced in 1979 with waves of peasant and student demonstrations and by protest actions involving job-seeking soldiers and contract laborers, the press underlined the procedural limitations and rules that democracy presupposed. No methods "that violated the law or interfered with normal social order" could be tolerated. The view that "to solve problems one must create disturbances," the Guangdong provincial newspaper warned, was unacceptable.<sup>2</sup>

To put teeth in these prohibitions, in the winter and spring of 1979 many cities and provinces issued strict new regulations on preserving public order, outlining strict penalties for violators. The ensuing crackdown was directed at the fledgling dissenting "democratic movement," beginning in late March, 1979, with the arrest of Wei Jingsheng, editor of the most outspoken

"unofficial" journal, Explorations, followed by the harassment and supression of other activist groups. After trial and appeal, Wei was sentenced in October to a prison term of 15 years for revealing state secrets and for conducting anti-socialist propaganda. The crackdown was by no means confined to political activist groups but extended to "hooligans" whose unhealthy life-styles contributed to social laxity, and to those guilty of economic crimes like blackmarketeering and smut peddling.

In the summer of 1979, a clearly orchestrated public discussion was launched to reconsider the merits of political mechanisms that apparently fostered social and political "problems." At the second session of the fifth National People's Congress (NPC) in late June, deputies debated the utility of retaining such political forms as the right to put up "big character posters." Speaker after speaker rose to denounce the posters for contributing to factional conflict, lending themselves to slander and to "making trouble" and, in the words of one cheeseparing farmer, "costing a lot in ink and paper." In November, 1979, the standing committee of the NPC formally raised the question of how to deal with "problems" at the "democracy wall" in Beijing. In December, to no one's surprise, the Beijing authorities prohibited the use of the now famous long wall at the intersection of Xidan and Changan roads for posters. They relocated the posters to a small park nearby, promptly dubbed "bureaucracy wall," where such activities could continue but under much closer control. Poster writers were warned that they were legally liable under the law for what they wrote; they were required to register when using the wall.

Concurrently, the NPC pointedly reaffirmed the continued validity of all laws published after 1949, except in areas where they were in direct conflict with more recent legislation. In particular, it issued supplementary regulations on labor reform practices and procedures and endorsed the 1957 regulations on breaches of the public order. The notably strengthened constabulary presence of the People's Liberation Army (PLA) in China's cities and the increased authority of the public security forces gave muscle to the "law and order" spirit so much in evidence in this period.

In January, 1980, in a major speech, Deng Xiaoping set forth the official rationale for this emphasis.<sup>4</sup> China's most urgent need was rapid economic growth over the next 20 years. Given the enormous obstacles, this program was feasible only if four preconditions were met. These requirements included a skilled and dedicated cadre force, a spirit of struggle and sacrifice, "an unswerving political line," and "a political situation of stability and unity." Meeting his critics head on, Deng conceded that "liveliness and vigor" were also crucial to successful modernization, but he in-

<sup>&</sup>lt;sup>1</sup>Xinhua (Harbin), April 3, 1979; Xinhua, March 12, 1979. <sup>2</sup>Nanfang Ribao, March 30, 1979; Foreign Broadcast Informa-

tion Service (FBIS), April 4, 1979.

<sup>&</sup>lt;sup>3</sup>Radio Taiyuan, April 1, 1979 (FBIS, April 5, 1979).

<sup>4&</sup>quot;Report on the Current Situation and Tasks," Zhengming, no. 29, March 1, 1980, in FBIS, March 11, 1980, pp. 1-27.

sisted that they had to develop "in the wake of stability and unity." Denying that the "things at Xidan wall" were examples of "liveliness," Deng warned that "even a few people could sabotage the great cause." He called for educating the ignorant and confused. But for those who could not be educated, "resolute and merciless legal action" was necessary. "When did we ever," he asked his critics, "say that we should abolish the dictatorship of the proletariat?"

Throughout 1980, the slogan "stability and unity" became the watchword of a movement to restore political and social discipline. Under its pressure, the last of the surviving unofficial publications, April 5th Forum, expired, announcing its last issue in April, 1980. At the fifth plenum in late February, the party leadership formally proposed the deletion of the sections of article 45 of the 1978 constitution that guaranteed the "4 greats," or the "4 freedoms": debate, "blooming," "contending," and "big character. posters," a resolution that was accepted in April by the standing committee of the NPC for submission to the full NPC session. It was a crowning irony that Beijing reporters commented on the preparation of Xidan wall in May, 1980, for use in commercial advertisements: Commenting on the decisions of the fifth plenum, Liberation Army Daily asked if stressing the "4 Upholds" (i.e., the need to uphold), the dictatorship of the proletariat, socialism, Marxism-Leninism-Mao Zedong thought, and party leadership, did not contradict the principle of emancipation and "set up a new forbidden zone" to prevent our minds from being emancipated." Answering forthrightly, it asserted bluntly, "All things have their limits . . . and if you want to call this a forbidden zone then it is a forbidden zone and must not be broken into."5

While the range of legitimate civic action was steadily circumscribed in late 1979 and 1980, a parallel process was at work within the ranks of the party. Shifting from a primary emphasis on restoring innerparty democracy, the new line of the fifth plenum stressed discipline, steadfast commitment to the party's line and policies, and an absolute ban on factional activities. Noting that problems of factionalism and discipline persisted, despite all efforts, the press called for a thorough investigation of the credentials of all party members and the removal of all those who did not meet the new standards. People's Daily strongly criticized "party dissidents" and those who resist the new reforms.6 A provincial broadcast seconded the call with the aphorism, "where the broom does not reach, the dust will not vanish by itself." That the attack was not confined to lower level opponents was indicated in Deng's January 16 speech, which warned "high ranking cadres" against "wavering." The concrete import of this warning became clear at the fifth plenum, when the party resolved to "accept the resignations" of the four Politburo members associated with the radical position. Although their removal was handled cautiously and their "mistakes" were treated as "contradictions among the people" (i.e., as susceptible of remedy and forgiveness), their removal was seen as a significant narrowing in the views of top officials and a major indicator that a political turning point was at hand.

### **REFORM AND ITS ADVOCATES**

A conservative process of retrenchment has been under way for some time. But this judgment must be qualified. First, the prolonged presence of "leftists" on the Politburo may have symbolized to the outside world the toleration of significant diversity; nonetheless, the removal of Wang Dongxing and his colleagues was widely perceived in China as consolidating the reforms, not undercutting them. Second, however much the removal of senior radical spokesmen may have narrowed the political spectrum at the top, it seems unlikely to usher in an era of consensus. The current seven-man standing committee of the Politburo is composed of senior leaders whose stature and independence match or exceed Deng Xiaoping's. Deng may command a majority on the Politburo, but the continuing presence of men like Ye Jianying and Chen Yun ensure that the leading decision-making bodies will not simply approve Deng's initiatives. Even within the leading coalition, wide differences of opinion on political and economic issues persist, and there is evidence of continuing debate on issues like economic restructuring, incentives and political work.

Nor does it seem likely that political retrenchment will have a dampening effect on other reforms. Certainly it abruptly terminated China's "Beijing Spring," and it probably will discourage spontaneous activism and debate. But by their own admission the activists were a small and isolated group without widespread support even in urban areas. Many intellectuals seem both untouched and unaffected by the fate of the activists and see few links between the supression of the "dissidents" and their own prospects. Even the effort to remove the "four freedoms" from the constitution may have a less condign explanation than usually offered. After all, these rights were a Maoist innovation with traumatic associations for Deng's generation, which fell victim to poster attacks legitimated by these formal rights. It is not farfetched to see the scrapping of these rights as implicit in the official judgment that the cultural revolution was an "awful catastrophe," and part of the tacit process of de-Maoization long under way.8

The most striking confirmation of the limited im-

<sup>&</sup>lt;sup>5</sup>Jiefangun Bao, March 14, 1980, FBIS, March 20, 1980. <sup>6</sup>Renmin Ribao, April 29, 1980, in FBIS, May 12, 1980, L15.

<sup>&</sup>lt;sup>7</sup>Radio Nanhang, April 14, 1980.

<sup>&</sup>lt;sup>8</sup>John Bryan Starr "Discontinuing the Revolution," International Journal, vol. 34, no. 4 (Autumn, 1979).

pact of these changes has been the continued progress in implementing liberalizing reforms during this same period. For example, the new electoral law that was passed in June, 1979 (taking effect January 1, 1980), extended formal citizen powers. It provided for the direct election of representatives to county level assemblies for the first time since 1949. And it altered the nomination procedures to provide for a limited degree of choice by mandating an excess of candidates over available seats. Equally important, the new local government legislation strengthened legislative oversight functions by requiring the separation of executive and legislative bodies and the creation of a legislative standing committee to oversee the executive on a continuing basis.

These changes, in effect, abolished the de facto integration of legislative and executive and party and state functions characteristic of the predecessor body, the revolutionary committee. Not only did the new legislation confer on deputies the right to offer motions on behalf of constituents to a sitting legislature, but a number of localities went even further extending this right to submit motions directly to the standing committees throughout the year, even when the legislature was not in session.<sup>9</sup>

A related set of reforms sought to decrease the overlap between party and state administrative hierarchies, clearly differentiating between their respective functions and personnel. In the provincial elections held in late 1979 and early 1980 only three newly elected provincial level administrators (governors or mayors) also held concurrently the top local party post, a vastly reduced proportion.

Letters to newspapers and to government offices and direct visits also increased in volume. The press called for beefing up the staff of grievance bodies and expediting assistance to petitioners. *People's Daily* proudly reported a record number of letters, exceeding 3,000 per day. The party also sought to revive the formal institutions of the United Front, particularly encouraging the reactivation of the democratic parties under the policy of "long-term mutual supervision." These parties not only reported meeting to elect new officers, but also recruited new members.

There was no break at all in the stress laid on improving work unit democracy, which accelerated during this period. Not only did the media call for universal experimentation with new means of direct election of section, shift and workshop heads in factories, but in some instances it endorsed the democratic selection of managers as well. It also called for the revival of the worker congress system, which was reported to be functioning in 20 percent of China's factories by the end of 1979. Unions were given a broadened mandate to lobby for benefits, and 1980

saw the first reported collective agreement between a factory and its union representatives on production quotas and material rewards. <sup>10</sup> Other groups were encouraged to form unions and to press for their legitimate interests, and the media reported the formation of teachers unions, student unions and broadened peasant associations in the countryside. Broadened economic rights were defended by the party under the rubric of "economic democracy," which entitled both units and individuals to a degree of economic autonomy and the right to assert and defend their economic interests. In the cities and the countryside, millions were encouraged to innovate to provide new goods and services in a vastly liberalized economic climate.

Not only has economic control been loosened; in certain areas social controls have also been relaxed. State policy toward previously suspect groups like religious minorities or those with "overseas connections" has significantly relaxed. The widely reported resurgence of church organizations is a key indicator of the new tolerance and relaxation. The recent period has been characterized by continuing efforts to cultivate cordial ties with intellectuals, despised during the cultural revolution as a "stinking" social category. Intellectuals, now classified as workers, have been given new formal recognition of their status and degrees and encouraged to form professional associations. They have been accorded increasingly important consultative and policy roles. The party's new deference to technical elites and its toleration of a greater degree of specialist autonomy have given rise to increasingly frank academic disputation, a development encouraged by the party, which has sought to depoliticize academic debate.

A similar light hand has been applied to the control of the cultural intelligentsia, a group most sensitive to changing political currents. Deng's January, 1980, speech called for a continued cultural "blooming," albeit within the limits of the "4-Upholds," and more important, called for discontinuing the slogan "that literature and art belong to politics." Though the two spheres were indeed linked, in practice, Deng noted, the slogan often led to "forceful interference," a practice to be avoided. The party, later commentaries made clear, reserved the right of "literary criticism" where artistic works had "shortcomings" but extended the right to counter such criticism to creative

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Victor C. Falkenheim has contributed articles on politics, administration and political participation in China to such journals as Asian Survey, China Quarterly, Contemporary China, International Journal, Pacific Affairs, Problems of Communism, as well as to a number of edited collections. His more recent work has focused on post-Mao political and administrative reforms.

<sup>&</sup>lt;sup>9</sup>Xinhua, April 9, 1980, FBIS, April 10, 1980, R1.

<sup>&</sup>lt;sup>10</sup>Xinhua, February 24, 1980, FBIS, February 26, 1980, R1.

# **BOOK REVIEWS**

## ON CHINA

CONTEMPORARY CHINESE POLITICS: AN INTRODUCTION. By James C. F. Wang. (Englewood Cliffs: Prentice-Hall, Inc., 1980. 318 pages, appendices and index, \$9.95, paper.)

Written with the undergraduate student in mind, this book by James Wang is an excellent source of information about the background and structure of the Chinese Communist party and government. Of particular interest is the chapter describing the "dramatic and sometimes frightening aspects" of "the participation of millions of people in mass campaigns, waged periodically by the regime . . from the eradication of pests to land reform, to socialist education . . . to the Cultural Revolution." The author reports that from 1950 to 1978 some 74 campaigns were waged on a national level. The appendices contain documents of Chinese government and foreign policy that Wang believes are important for an understanding of China today.

THE MANDARIN FROM SALEM. By Richard Oakes Patterson. (New York: Philosophical Library, Inc., 1979. 390 pages and bibliography, \$16.95.)

This is a fictionalized account of an unusual man, Frederick Townsend Ward, a United States citizen, a Chinese general and a Chinese God of War, who served in the Chinese military during the Taiping Rebellion in the late nineteenth century. O.E.S.

YENAN AND THE GREAT POWERS. By James Reardon-Anderson. (New York: Columbia University Press, 1980. 216 pages, bibliography, manuscripts and index, \$15.00.)

James Reardon-Anderson argues that in its early years, Communist Chinese foreign policy followed the exigencies of military and political circumstances of the early years of the Chinese Communist party's rise to power. He documents the changing relations of China with the Soviet Union and the United States.

O.E.S.

BROKEN IMAGES: ESSAYS ON CHINESE CULTURE AND POLITICS. By Simon Leys. (New York: St. Martin's Press, 1980. 153 pages and index. \$17.50.)

Erratum: We regret an error that appeared in *Current History*, April, 1980, in the article by Shaheen F. Dil, "The Myth of Islamic Resurgence in South Asia," page 166, right-hand column, line 45. The phrase should read "in September, 1979."

This collection of previously published essays by a distinguished China watcher examines the philosophy of relatively unknown (in the West) figures like Lu Hsun and Chen Jo-hsi, and also Mao Tse-tung, his wife Chiang Ch'ing, and others. Each essay provides insight into some aspect of Chinese culture.

Alvin Z. Rubinstein University of Pennsylvania

THE UNITED STATES AND CHINA IN THE TWENTIETH CENTURY. By Michael Schaller. (New York: Oxford University Press, 1979. 199 pages, illustrations and index, \$9.95.)

Michael Schaller analyzes the relations between the United States and China in the years since 1937, "when the United States involved itself most deeply in Asian affairs and attempted to shape China's destiny." He notes that even in their initial contacts "the Americans and Chinese misunderstood one another, reflecting their radically different cultures and histories." He details the long and involved diplomatic history that led to the eventual recognition of China by the United States in 1979 and to the withdrawal of United States recognition of Taiwan as the Republic of China.

Schaller has a very readable style; he offers the hope that the "bitter past" will aid in overcoming the "hurdles that still lie ahead."

O.E.S.

THE CRISIS OF CHINESE CONSCIOUSNESS: RADICAL ANTI-TRADITIONALISM IN THE MAY FOURTH ERA. By Lin Yu-Sheng. (Madison, Wisconsin: The University of Wisconsin Press, 1979. 201 pages, bibliography and index, \$20.00.)

Lin Yu-Sheng examines "the Maoist conception of 'cultural revolution' in the light of the radical ideas of the May Fourth intelligentsia, ideas which so crucially influenced Mao during the formative years of his intellectual life." The author evaluates the importance of the May Fourth movement during the period 1915-1927.

O.E.S.

CHAIRMAN MAO AND THE CHINESE COM-MUNIST PARTY. By Andres D. Onate. (Chicago: Nelson-Hall Publishers, 1979. 289 pages, bibliography, notes and index. \$17.95, cloth; \$8.95, paper.)

Andres Onate describes China as an emerging superpower and the role that Mao Zedong played in this world that is so little understood by most Westerners.

O.E.S.

# THE MODERNIZATION OF THE CHINESE MILITARY

(Continued from page 13)

limited-range intercontinental ballistic missiles, ICBM's (CSS-3).

On May 18, 1980, China launched its first "full range" missile, believed to be a full range ICMB (CSS-X-4), which traveled from north-central China to the South Pacific, a distance of about 8,000 kilometers and, according to the Chinese, landed on target.<sup>18</sup>

Responses to this test have been mixed. Some American officials in Washington, D.C., said that if the missile were indeed a CSS-X-4, then the test demonstrated that China has made impressive progress over the past few years. Some pointed out that the test had important strategic implications for China's defense against the Soviet Union. Previously, China's missiles could reach targets only in the less populated eastern part of the Soviet Union; but the long-range ICBM could penetrate much deeper into the Soviet Union and could reach targets in Europe and the United States. Some American analysts, however, were not so enthusiastic. They claimed that the missile was multistaged and essentially the same as the missile China used in its satellite launchings and space research. Officials from the Japanese Defense Agency believed that since liquid fuel was probably used, China's ICBM development must still be in its initial stages. Other Japanese officials from the Foreign Ministry agreed that China was still in the fledgling stages of the development of ICBM's,

. <sup>18</sup>Renmin Ribao, May 19, 1980, and The New York Times, May 19, 1980. For more details on long-range ICBM's and the differences between the two types of long-range ICBM's, namely CSS-X-4 and CSS-4, see The New York Times, March 11, 1980, and FEER, November 30, 1979, p. 49. See also Takung Pao, May 12, 1980; Christian Science Monitor, May 9, 1980, Brandon Sun (AP News Release), May 20, 1980, The New York Times, May 19, 1980 and United Daily, May 20, 1980. Another test, which traveled a much shorter distance, was reportedly conducted on May 22, 1980. No details are available. China did not announce the second test.

<sup>19</sup>Quoted in a CP-Reuter news release from Tokyo. This statement was made in a speech before the Japan-China Friendship Association on May 28, 1980. See *Brandon Sun*, May 29, 1980.

<sup>20</sup>This observation was offered by the Belgium Defense Minister following a visit to the United States. See Central Daily, March 26, 1980, and China Times (Taipei), March 26, 1980. For comments by the American commander of the Pacific region, see Ta-kung Pao, March 21, 1980. For more details concerning the scope of the Soviet forces in the Far East, see an article by Drew Middleton in The New York Times, January 28, 1979. For comments made by officials from Japan's Defense Agency, see China Times, April 28, 1980. For Chinese official comments, see Beijing Review, January 28, 1980. The New York Times, May 22, 1980.

lagging far behind the United States and the Soviet Union. After the test, Hua Guofeng announced that China was committed to the development of strategic weapons to "break the nuclear stranglehold of the superpowers." <sup>19</sup>

No new information is available on any progress in the development of China's submarine-launched ballistic missiles (SLBM's).

China's tactical missile arsenal includes several hundred outmoded CSA-1 surface-to-air missiles with which many Chinese tanks have been equipped. China's air-to-air missile inventory consists largely of the 20-year-old Soviet AS-2 Atoll. Little or no information has surfaced regarding the scope of China's air-to-ground missile program. It is known, however, that the Chinese navy is equipped with domestically produced Styx (SS-N-2) surface-to-surface missiles.

China's remaining surface-to-surface missiles include Soviet "Frog" unguided battlefield missiles, Hot and Milan anti-tank missiles, and several hundred German-made anti-tank missiles.

#### CHINA'S MILITARY POSTURE IN THE 1980's

The slower pace of the military modernization program and the consequent modest increase in its military do not seem to have altered significantly China's military and political posture in Asia or in the entire international arena. Its main concerns, in terms of national defense, still lie with the Soviet Union and Taiwan.

The Soviet Union has intensified its operations in the Far East since 1978. A Japanese Defense Agency official reported that in 1979 there was a 20 percent increase in Soviet ground forces in the Far East accompanied by a 10 percent rise in the Soviet naval presence in the Pacific. The Chinese claim that the Soviet Union has stationed 1.1 million men and 14,000 tanks in the Far East. Photographs taken by United States satellites have indicated that 20 percent. of the Soviet SS-20 advanced missiles are now trained on targets in China.20 The Chinese know all too well that in the event of a Russian attack not only their nuclear facilities but also their oilfields and most major industrial centers would be extremely vulnerable. China, therefore has decided to continue its policy of building large underground air raid shelters and grain storages.21

Despite these developments, tension between China and the Soviet Union has not increased significantly over the past two years. The increase of Soviet force in the Far East could be the result of a number of factors including tension in Afghanistan and Iran. In fact, even after the termination of their "Treaty of Friendship" in 1980, China and the Soviet Union continue to propose talks dealing with such issues as commercial and technological cooperation. Over the past two years China has purchased 80 Soviet-made An-30

transport planes, MI-6 and MI-8 helicopters, as well as many Russian-made automobiles.

Another important factor that has kept strains between the Soviet Union and China from escalating is the newly improved relationship between China and the United States since late 1978, especially their common stand on the role of NATO and the Soviet invasion of Afghanistan. The Chinese have also received assurances from the United States that in the event of a conventional Soviet attack on China, nonnuclear American arms like cruise missiles would be made available for sale to the Chinese.<sup>22</sup> In light of these developments, the likelihood of a Sino-Soviet war, either conventional or nuclear, seems to have been reduced over the past two years.

### **CHINA AND TAIWAN**

China's other major concern is the political and military strength of Taiwan. The United States decision to rescind recognition of Taiwan in favor of the People's Republic of China in 1979 did much to

<sup>21</sup>Summary on World Broadcasts, Far East Weekly Economic Report, January 2, 1980. For more details on China's air defense system, see Jane's Weapons Systems 1979-80, p. 194 and U.S. Military Posture for FY 1981, p. 76. See also China News, January 15, 1980.

<sup>22</sup>China News, April 15, 1980. In April, Richard Holbrooke, U.S. Assistant Secretary of State for Asian Affairs, told U.S. Congress that "the equipment and technology we would be prepared to consider for sale to China must not be combat arms such as warplanes and tanks" and that the equipment must be items "we would be prepared to sell to all our friends" and "must not contribute to chemical, radiological, bacteriological, nuclear and missile programs." China News, April 3, 1980.

<sup>23</sup>For a full account of U.S. recognition of China and the Taiwan Relations Act, see U.S. Senate, Committee on Foreign Relations, *Hearings on Taiwan*, February, 1979, U.S. Senate Committee on Foreign Relations, *Taiwan Enabling Act*, March 1, 1979, U.S. House of Representatives Committee of Conference, *Taiwan Relations Act*, March 24, 1979, (Washington, D.C.: Government Printing Office, 1979).

<sup>24</sup>China News, February 27, 1980. For background on the issue, see The New York Times, March 1, 1978 and FEER, January 20, 1978, p. 38. For a report on anti-submarine warfare, see Central Daily, May 10, 1980. For the strengthening of the base, see China News, March 23, 1980. For a report on Taiwan's army industry, see China News, February 13, 1980.

<sup>25</sup> The New York Times, January 4, 1980. The three military items Taiwan has requested are the fighter planes, a ship-to-ship missile and anti-submarine warfare equipment. The New York Times, May 15, 1979, and China Times, January 5, 1980. In early 1980, President Carter unfolded plans for the development of the new F-X fighter. The plane is expected to be more advanced than the F-5, but will have neither the power nor the combat capability of General Dynamics's F-16 or McDonnell Douglas's F-18. Given the more "defensive" suitability of these intermediate fighter aircraft, it is expected that Taiwan may be offered the F-X when it goes into production. For detail on this topic, see The New York Times, January 4, 1980, January 5, 1980; China News, March 8, 1980.

improve the latter's position. China, however, is not pleased by the continued sale of American defensive weapons to Taiwan and the establishment of an "American Institute in Taiwan." The Institute, funded by the United States Congress, has been performing embassy-like functions since 1979.<sup>23</sup>

Taiwan, meanwhile, has been endeavoring to maintain its military strength vis-à-vis China. Its Defense Minister recently reported that military training had been intensified, research in defense technology strengthened, and the production of weapons increased. Taiwan has also begun production of such arms as improved M-16 rifles, multibarrelled helicopter machine guns, various naval craft, depth charges, armored vehicles and rockets. A missile that traveled 1,000 kilometers was also tested in 1978. Taiwan has received United States authorization allowing domestic production of a limited number of Honest John missiles and F-5E's. Naval exercises, including anti-submarine warfare simulations, are being conducted in the Taiwan Strait in anticipation of a possible Communist Chinese submarine blockade.24

China's policy toward Taiwan has also changed. For the past two years, Deng Xiaoping has said that "we will try our best by peaceful means to bring about the return of Taiwan." However, Deng does not rule out the possibility of the military takeover of Taiwan should the latter refuse to negotiate reunification, or should there be any Soviet interference in Taiwan.

In 1979 the United States sold Taiwan some 48 F-5E's, 500 Maverick missiles, and other defensive weapons worth close to \$800 million. As part of the recognition agreement between the United States and China, no new additional American weapons were sold to Taiwan during 1979. When this one-year moratorium expired in January, 1980, however, the United States was quick to announce plans to sell \$280-million worth of defensive weapons to Taiwan. The sale would include an additional battalion of Hawk land-based anti-aircraft missiles and an improved version of Sea Chaparral ship-based surfaceto-air anti-aircraft missiles. Under the pending agreement, Taiwan would also receive additional TOW anti-tank missiles and an advanced shipboard firecontrol system along with 76 millimeter rapid-fire guns.25

Taiwan, however, has been frustrated during the last two years in its efforts to purchase advanced weapons from the United States. It hoped to come to terms on more sophisticated jets like the F-4 Phantom or the F-16 and F-18 jet fighter-interceptors. The United States rejected these requests. Because the military arms and equipment sold to Taiwan by the United States must be defensive in nature, Taiwan fears that the underlying political isolation will also result in military isolation. In short, Taiwan fears the

loss of the military parity with China that is essential to the maintenance of its security.

This analysis leads to several conclusions. First, in the domestic realm, financial and other problems have slowed the modernization of the Chinese military. The goal of military modernization vis-à-vis the "readjustment" program has been subordinated to the development of the national economy as a whole. Second, China will continue to rely upon the importation of weapons and military technology in its pursuit of modernization. Here again, the program of "readjustment" has impinged on this pursuit, making military spending more cautious and selective. As a result, since 1978 China has achieved only limited advancement in its military capability. China's military posture, however, has actually improved over the past two years. A country's military posture cannot be described solely in terms of physical weapon inventories; its strategic position vis-à-vis other countries in the international arena must also be considered. In the case of China, three such factors are vital: China's new and friendly relations with the United States; the relative stabilization of relations between China and the Soviet Union; and the continuing political and military isolation of Taiwan. Together, these factors have contributed to a more secure and comfortable strategic position for China, both in Asia and the entire international arena, which may last well into the 1980's.

### AGRICULTURAL MODERNIZATION IN CHINA

(Continued from page 23)

Modernization means qualitative changes in basic technology and qualitative changes in social relations.<sup>24</sup> Changes in basic agricultural technology mean (a) the application of the results of expert research to soil and plant improvement (laboratory discoveries rather than peasant innovations, cloud seeding instead of the rain dance) as well as education of the rural labor force in the ways of the industrial state, and (b) the "intersectoral transformation" of farming, that is, the assimilation by agriculture of industrial inputs like chemicals (fertilizers, pesticides, fungicides), machinery (tractors, harvesters, threshers, rice transplanters) and power-generating equipment.

Qualitative changes in social relations mean the establishment of a managerial system in agriculture which would (a) ensure the elaboration and implementation of the proper, internally consistent in-

put-output decisions (what to plant, where, and when, how to integrate the various components of industrial technology, e.g., a tractor without attachments is not very useful) and (b) evolve and implement an effective system of incentives for those who labor in the fields and those who direct and coordinate that labor. The first problem is a question of the distribution of decision-making power in matters of agricultural policy; the second is a question of income distribution.

In a burst of exuberance after locking up the gang, China's new leaders envisaged the problem of agricultural modernization as primarily technical; narrowly, a problem of mechanization. Then came the recognition that agricultural technology is multidimensional, and the earlier almost exclusive emphasis on tractors was modulated in light of a broader understanding of complex technical interrelationships. Later still came the appreciation that an important component of modernization is the qualitative improvement of management, especially with respect to the distribution of power and income. Current agricultural modernization plans and policies reflect these new understandings.25 At the same time, they reveal serious ideological barriers to the implementation of what theoretically would seem to be the optimal mix of technological and institutional change:

To put the technical transformation of agriculture on firm financial foundations, the state proposes in the next five years to increase agriculture's share in total state investment to around 18 percent, while the state's investment contribution to the agricultural undertakings of communes, production brigades and production teams is to rise to about 8 percent of total state investment—a share that clearly shows the past, present and future heavy reliance of the commune sector on its own resources for investment. At the same time the state banking system is to double the loans extended to agriculture and to include low-interest, special-purpose loans to be repaid in 10 to 15 years "or even at the end of the century."

Chemical fertilizer production and the production of insecticides, herbicides and plastics for farm use are to be increased "quickly," and the quality of the products is to be "guaranteed." In 1979, chemical fertilizer output (nutrient weight) was 10.7 million tons (23.6 percent above 1978) for a cultivated area of roughly 100 million hectares. In 1978, there were 560,000 large and medium-sized tractors and 1.4 million hand tractors (measured in 15 hp units). According to the revised modernization philosophy, mechanization is to be pushed primarily on state farms in the more labor deficient wheat growing regions of the north and northeast, the proportion of large and medium-sized machinery is to be increased relatively to the hand variety, quality is to be

<sup>&</sup>lt;sup>24</sup>The problem of modernization within the framework of socialist centrally planned economies is discussed at length in my *Issues in Socialist Economic Modernization*, forthcoming from Praeger Publishers, New York.

<sup>&</sup>lt;sup>25</sup>A useful reference source is "The Agricultural Development Program," Beijing Review, March 24, 1980, pp. 14-20.

proved through imports and popularization of up-todate models, and this popularization is not to be bureaucratic and "blind" but selective, suited to specific local labor availabilities, topographical variations and soil conditions. These sentiments are sensible but fairly meaningless, in the absence of a social mechanism that would translate the philosophical desiderata into mutually consistent, feasible, and perhaps even optimal economic facts, and could then turn these facts into coherent policy.

The importance of systemic reform (in the current jargon, "restructuring" and "consolidation" of the planning and managerial apparats) is now understood, at least by many influential people at the top. Some action must be undertaken if only to prevent a repeat of the "pernicious influence of promoting a single product economy" which caused so much ecological harm in the past.26 Technical coefficients must be determined; the cost and benefits of alternative competing courses of action must be calculated; and the appropriate motivational system must be introduced to induce the peasants to do what the technical-economic analysis dictates. There is talk of experimenting with parts of different economic systems to come up with a hybrid but still specifically Chinese and socialist solution.

With regard to the question of distributing decision-making power (the issue of economic decentralization versus centralization), China

is facing mountains of problems, mountains of difficulties, mountains of troubles . . . On the one side anarchy and excessive individualism, on the other side bureaucracy and privileges of bureaucrats who do not change.<sup>27</sup>

A few hesitant steps have been taken in the direction of decentralization. In many areas, the responsibility for working out the produce delivery plan (but not, at least not officially, the responsibility for income distribution) has been delegated by production teams to work groups often composed of not more than three households. At times, especially when disaster strikes locally, input, output and some marketing responsibilities within the general parameters of the state delivery plan are vested in individual households (as was done during the lean years following the Great Leap, under the Liu Shaoqi system).

With the implementation of the system of responsibility, the peasants' enthusiasm has been aroused. Certain people have relaxed their attention and think that loose leadership will be all right.... Certain

[other] people have an antagonistic feeling toward the implementation of the system of responsibility and do not heed it or arbitrarily interfere.<sup>28</sup>

The right of peasant households to cultivate private plots and trade on rural fairs is now—once again—guaranteed. The income distribution rights of production teams are henceforth to be protected against attempts to transfer them upward to production brigades and communes (considered to be socialist by the leftists). The three levels of ownership (commune, brigade, team) are to be respected, especially the ownership rights of the teams, which in the past were violated by frequent "illegal" (there was, in fact, no law) raids by commune brigades and party authorities.

On the income distribution front, the inegalitarian socialist principle of "to each according to his work, and more pay for more work" has been rehabilitated. Maoist experiments in neo-egalitarian schemes of income sharing are frowned at, but with the low general level of rural incomes not much can be done about it right now. To help lift the income level, the government has raised the prices it pays for the purchase from communes of obligatory and abovequota produce deliveries, and has kept steady or lowered the prices of industrial inputs used by agriculture (thus improving agriculture's terms of trade with industry). Further, the government has promised to keep stable the state grain purchase quota "for a fairly long period from now" and, in fact, has reduced the quota by 5,000 million jin (2.5 million metric tons) beginning in 1979. As for taxes, the leadership has promised to bring under control the waywardness of the agricultural tax and the surtaxes imposed by provincial authorities, and has encouraged the establishment of commune industries by instituting various tax holidays. Until 1985, state farms are no longer required to hand over their profits to the state treasury. Instead, the retained profits are to be used by the farms for investment and "for transforming themselves into amalgamated enterprises combining farming, industry and commerce." In line with the new elitist spirit, state aid is to focus on a relatively few, already advanced and promising "bases" and key projects, rather than spread thinly over the advanced, the average and the backward.

### **CONCLUSIONS**

If ever there were an "objective," "historical" necessity for modernization, China's agriculture in the late 1970's and early 1980's would be a case in point. The necessity coincided in 1976 with the victory of the "right" over the "left" wing in the party's chronic internal squabbling. If China's leadership is to continue to feed its people at current standards, or better still, if it wants to improve the existing diet, it must break through the barriers to further food output

<sup>&</sup>lt;sup>26</sup>Fujian Ribao article of May 22, 1979, broadcast by Fujian Provincial Radio, Fuzhou, on that date, in FBIS, May 24, 1979.

<sup>&</sup>lt;sup>27</sup> Renmin Ribao, December 1, 1979, in CNA, no. 1171, January 4, 1980, p. 2.

<sup>&</sup>lt;sup>28</sup>Anhui Ribao article of February 5, 1980, broadcast by Anhui Provincial Radio on the same date, in FBIS, February 20, 1980.

increases that have been erected by traditional technology and enthusiasm-sapping social relations. It must revolutionize farm technology and reform social institutions in ways that will help bring about dramatic increases in the productivity of land, labor and capital. The nature of the challenge seems to be understood and the problem is being tackled. But the road ahead remains long and perilous.

### CHINA'S ENVIRONMENT

(Continued from page 18)

time, but may prove to be a costly and unsustainable blunder. China's long-term agricultural policies must consider these environmental hazards in choosing a supportable course.

The problem of pollution controls is perhaps more straightforward, because many techniques and methods are now commercially available to deal with a wide variety of gaseous and liquid effluents and with solid waste. However, most pollution control technologies are not cheap, and there will be an often irresistible temptation to cut down, if not entirely to eliminate, these seemingly unproductive expenditures for pollution control while expanding the country's industry in the unprecedented way outlined in the four modernization policies. Needless to say, the long-term price to pay for temporary savings would be steep.

There are some hopeful signs. In late 1978, the State Planning Commission, the State Economic Commission and the environmental protection group under the State Council ordered 186 metallurgical, chemical, oil, machine, textile, light and building industries to take the necessary steps to control their wastes by the year 1982.<sup>33</sup> An even better sign of the awareness of serious pollution problems is the decision of the three central organs requiring all new or expanded major industrial projects to install pollution control equipment.

All too often there is a great difference between laudatory central decisions and local practice, but there is no doubt that the leadership is finally facing this complex, expensive and protracted task. Sustained actions must follow. The alternative—in a country so densely populated, so critically dependent on its own food resources, trying so hard to industrialize broadly and rapidly and already suffering many environmental ills—is the aggravated deterioration of China's environment with far-reaching ecological and economic consequences. The state of China's environment is precarious but the task of conserving it and cleaning it up is still manageable.

As a sage remarked two and a half millennia ago: "Take hard jobs in hand while they are easy... the troubles of the world cannot be solved except before they grow too hard."<sup>34</sup> One hopes the Chinese will follow this way.

# CHINA AND THE "INDUSTRIALIZED DEMOCRACIES"

(Continued from page 8)

"Sino-American friendship is not directed against anyone." And, later, he pointed out that "We do not have nor do we anticipate a military relationship."

But Vice President Mondale was followed to the PRC by Secretary of Defense Harold Brown, who arrived in Beijing in early January, 1980. In light of a fear of expanding Soviet military power, the Chinese were to be informed that the United States was prepared to undertake a measure of military cooperation with the PRC against the Soviet Union. In a toast offered at a dinner given in his honor by Chinese Defense Minister Xu Xiangqian, Brown stated that, should a Soviet threat arise, the United States and China would "respond with complementary actions in the field of defense as well as diplomacy."8

In line with President Carter's 1978 decision to permit the sale of "dual-purpose technology" to China on a case-by-case basis, the United States committed itself to sell to China (while denying it to the Soviet Union) a new satellite station suitable for military use. The shift in American global strategy continued. In May, it was reported that President Carter had approved a change of the decades-old "swing strategy," providing for the transfer of United States armed forces from the Pacific bases to Europe in the event of Soviet military action there. Instead, those forces would be retained to secure new commitments in the region stretching from the Pacific to the Persian Gulf, with some officials opining that the new strategy would give reassurance to Japan and other Asian allies, and would, moreover, strengthen ties with China.

At the end of May, 1980, Chinese Deputy Prime Minister Geng Biao visited Washington. After meeting with Geng, Secretary of Defense Brown announced (on May 29) that the United States would permit the PRC to purchase air-defense radar, helicopters and transport planes; further, it would authorize American companies to construct helicopter and electronics factories in China. In response to a question, Brown denied that the United States was moving toward a defensive alliance with China. He commented that "It is possible to be friends without being allies," and maintained that the projected sales of defense-related equipment were not aimed at the

<sup>33&</sup>quot;Order for Control of Environmental Pollution," *Peking Review*, vol. 21, no. 46 (November 24, 1978), p. 31.

<sup>&</sup>lt;sup>34</sup>Lao Zi, Dao De Jing, R.B. Blakney's translation.

<sup>&</sup>lt;sup>8</sup>Alan Wolfe, "The 'China Card—A Bad Deal," The Nation, March 22, 1980, pp. 321 et seq., esp. p. 338.

Soviet Union. But it was clear that, over the preceding 12 months, American global strategy had been adjusted to align the United States with the People's Republic of China.

The official American tilt in favor of China has not led Beijing to see eye-to-eye with Washington on all matters. In April, 1979, the New China News Agency charged that in the Middle East the United States invariably made common cause with Israel. Speaking to a visiting Palestinian delegation in Peking on November 20, Premier Hua Guofeng laid down three principles to govern a Middle East settlement: 1) the Palestinian people should be accorded their national rights, including the right of self-determination; 2) occupied lands should be returned to the Arabs; and 3) there should be a comprehensive settlement of the Middle East question. This was clearly not President Carter's policy line.

Taiwan's future also remains an outstanding issue of some magnitude between the two countries. On January 3, 1980 (nearly one year to the day after having withdrawn recognition from the Nationalist government of the Republic of China on Taiwan, and after having suspended new arms sales to that regime during 1979), Washington announced that it had approved the sale of \$291.7 million worth of "defensive" arms to that de-recognized government, while turning down Taipei's request for permission to buy advanced fighter aircraft with ranges that would enable them to reach the mainland. On June 20, in a New China News Agency report, Beijing charged that with regard to the continued sale of arms to the Nationalists, "This discrepancy between words and deeds represents nothing but bad faith in international relations." And, "It is the strong demand of the Chinese people that the U.S. government stop forthwith its arms sales to Taiwan.'

### CONCLUSION

This points up a critical feature of the current international situation, and China's attitude toward it. Beijing is indeed prepared, in accordance with the dictates of its Maoist pragmatism, to make major adjustments in its political and economic strategies in order to serve its aim of modernization to become a great power. Thus it has moved notably closer to the industrialized democracies. But China remains a Communist power, even if it is being described, in its turn, as "revisionist." It is, in fact, trying (with some success) to rehabilitate its position in the world Communist movement; and it labors to maintain good standing with third world countries, and particularly with the nonaligned movement.

As world economic and political tensions increase along multipolar instead of bipolar axes, and as the united front concept is found to be unworkable, the PRC will once more adjust its global strategy. New shifts in direction will depend on whether Beijing gives priority to economic progress or to politico-military considerations. And such decisions will inevitably be influenced by the policies of the industrialized democracies and by the Soviet Union. China's foreign policy must be described as still fluid.

### INDUSTRIAL MODERNIZATION IN CHINA

(Continued from page 28)

for 1978, investment made by various departments, localities and enterprises showed a 25 percent increase over 1978; and the rate of accumulation still stood at 32 percent of the national income. The scope of capital construction remained overextended.

The experimentation in self-management in industrial enterprises also created new problems. First, there has been growing conflict between production enterprises and commercial establishments. In the past, all items of vital materials in the first category were exclusively distributed by the Ministry of Material Allocation. Under the new system, enterprises are allowed to sell some of these materials to customers, thus creating tension between factories and commercial departments. Both are contending for the right to sell popular products.

Second, under the new system, the level of reinvestments, bonuses and workers' fringe benefits are all linked directly or indirectly to profit, although the irrational price-fixing system means that profit generated by individual enterprises does not necessarily reflect the efficiency of the management. For instance, the processing industries make a much higher profit than the extractive industries, which barely cover their costs. In 1978, the average rate of profit calculated on the basis of sale was 40 percent for the petroleum industry, 31 percent for power, 13 percent for the metallurgical industry and only 1 percent for coal enterprises. Consequently, the 33,000 workers at Beijing's Yanshan Petroleum Corporation turned over one billion yuan in profits to the state in 1978, more than the total contribution by China's two million coal miners.15

Even in the same industry, differences in natural endowments and equipment result in divergent profit rates. For example, while the profit rate in the Daqing oilfield is 67 percent, in the Yumen oilfield, the rate is only 20 percent. The new reform, thus, is bestowing the fattest profits on enterprises that enjoy arbitrarily high fixed prices or abundant natural resources.<sup>16</sup>

Apart from conflicting interests, widespread resistance to reform also arises from the political and social groups who benefit least from these new in-

<sup>&</sup>lt;sup>15</sup>*Hongqi*, October 2, 1979, p. 55.

<sup>&</sup>lt;sup>16</sup>The China Business Review, January-February, 1980, p.

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itiatives. Many bureaucrats and managers, threatened by the increased emphasis on economic performance and technical expertise, tend to resist or even sabotage the plan.<sup>17</sup>

The growth rate of industrial output, as anticipated, has slowed down considerably because of the cut in capital investment. In 1978, the growth of gross industrial output was 13 percent. It was 8 percent in 1979, and the 1980 target was set at 6 percent. According to Chairman Hua Guofeng, this 6 percent annual growth rate may hold throughout the 1981-1985 period. 18 Compared with the more than 10 percent growth rate stipulated in the original eight year plan, the pace of development has been substantially scaled down. As the rate of accumulation is slated to be reduced to 25 percent of national income, down from 32 percent last year, industrial expansion faces a series of bottlenecks.

The most critical bottleneck for China's current industrial drive is the shortage of energy. Although China is rich in energy resources, its ability to expolit those resources is severely hampered by poverty, a backward technology, poor management, and the lack of an industrial infrastructure. In 1979, the production of oil increased by only 1.9 percent and coal, by 2.8 percent. The growth rate for electricity was 9.9 percent but could not keep up with surging demand. The shortage of electricity has been blamed for the idling of some 30 percent of China's industrial capacity. It is expected that in 1980, instead of increasing, the supply of energy will be reduced by 3.7 percent, although industrial output is planned to grow 6 percent. 19

Because of the lack of capital investment and technology, the short-term outlook for oil appears to be gloomy, but the outlook is even gloomier for coal. On the basis of recent developments, the growth rate for oil in the 1980-1985 period will probably average only 5 percent and for coal it will average 3 to 4 percent. By 1985, the output of crude oil will probably reach only 135 million tons and coal 745 million tons—both substantially lower than the original plan (see Table 1).

Another serious bottleneck is transportation. Between 1950 and 1978, when the country's railway mileage increased 1.4 times, the volume of freight transports rose 9.7 times. Because 85 percent of the volume still relies on the old railways in coastal areas, the capabilities of many trunk lines have reached their saturation point. The transport capabilities of many

weak sections in the coastal areas can meet only 50 percent of the actual needs.<sup>20</sup> The shortage of coal supplies in many parts of the country is partially caused by the deficiency in the delivery capacity of the rail system.

While the energy and transporation bottlenecks may be eased somewhat when new oilfields and coal mines are put into operation and more old railways are double-tracked, the formidable problem confronting the current industrial modernization is the built-in contradiction between modernization and employment. China's total labor force now exceeds 400 million people, of whom 300 million are farmers and 100 million are workers and employees. Forty million industrial workers are employed by the 400,000 state enterprises. Most factories and plants are small-scale, overstaffed and technologically backward. Their equipment is obsolete; the manufacturing process is outdated; the consumption of energy and raw materials are high; and quality of the product is poor. In 1979, some 25 percent of these factories still suffered a loss and required state subsidies.21 Unless China can modernize these plants, progress will be extremely slow. Modernization not only requires enormous amounts of capital investment, but it must also substitute machines for manual labor. The process will create a huge labor surplus, which will have no apparent outlet.

In light of these barriers, bottlenecks and contradictions, the ten year plan now in preparation promises to be moderate, emphasizing the modification of existing plants rather than building grandiose, supermodern plants. The scope of capital construction will be narrowed, and the rate of accumulation will be scaled down. More investment will be allocated to agriculture and light industry. This will meet the rising domestic demand for consumer goods and will supply more consumer goods for export to earn the foreign exchange to import more sophisticated capital goods for further industrial modernization. The target date—when China's output of major industrial products "will approach, equal or outstrip that of the most developed capitalist countries"—may not be the end of this century, as Hua Guofeng projected, but 30 to 50 years into the twenty-first century.

### CHINA'S NEW LEGAL SYSTEM

(Continued from page 32)

code should also be considered. For instance, the government lacks enough trained legal personnel to administer the new legal system for one billion people. Qian Duansheng, a Harvard-trained political scientist, has estimated that the PRC would need 200,000 legal personnel. However, since 1949 the People's Republic has turned out only several thousand law graduates. A leading Chinese jurist commented re-

<sup>&</sup>lt;sup>17</sup>Hong Shu, "The Whole Party Obeys Its Central Committee," *Hongqi*, no. 14, 1980, pp. 25-27.

<sup>&</sup>lt;sup>18</sup>Reuter, Tokyo, April 29, 1980, in *Hua-China Jih-Pao* (New York), April 30, 1980.

<sup>&</sup>lt;sup>19</sup>Beijing Domestic Services, April 19, 1980, FBIS, April 21, 1980, L5.

<sup>&</sup>lt;sup>20</sup>Commentary, Renmin Ribao, July 4, 1979.

<sup>&</sup>lt;sup>21</sup>Xinhua, April 22, 1980, FBIS, April 23, 1980, L1.

cently that if the right to defense provided for in the criminal procedure code is to be guaranteed, China will need at least 10,000 defense lawyers. The largest number of full-time lawyers in China since 1949 was 2,500 (in the 1950's).

A final question is the relationship between the Communist party and the judiciary. Nominally, the PRC has three divisions in the administration of criminal justice—the public security (police), the procuracy and the court. But in practice all three are under the direction of the party committee at the same level, and it is the committee that makes decisions to arrest, prosecute and sentence. Since the party committee does not have time to review criminal cases, decision-making in criminal cases is delegated to the secretary in charge of political-legal affairs.

In PRC writers' terminology, this system is called the system of "deciding a case by the secretary" (Shuji pian).12 Since the relationship between the secretary and the people's court at the same level is that of superior and subordinate, the court must accept the instruction of the secretary. Before a case is referred to the people's court for trial, the secretary must approve the investigation and prosecution of the accused; similarly, the secretary must have already decided on the punishment. Thus, in practice the investigation, prosecution and sentencing are all decided by one person—the political-legal secretary. There has been no hint from the Chinese leadership that the party is prepared to relax its control over public security, the procuracy and the courts. If party interference with individual criminal cases continues, it is unlikely that the enactment of the criminal code and the criminal procedure code will have any significant effect on the operation and quality of the People's Republic of China criminal justice system.

<sup>12</sup>See Liao Junchang, "The Independence of Trial and the System of Deciding a Case by the Secretary," Xinan zhengfa xueyuan xuebao (Journal of the Southwest Political-Legal Institute), no. 1, May, 1979, p. 7.

### CHINESE POLITICS

(Continued from page 36)

artistic work would be based on public response.

All these institutional and policy emphases pale in contrast to the fundamental reforms projected for the system of recruiting, training and assigning cadres.<sup>11</sup> Calling for the renovation and modernization of China's 18-million cadre force, the new program stresses technical specialization, the promotion of youth, the elimination of inefficient time-servers and, critically, limited terms of office. A particularly important proposal affecting the top-level political leadership is the call for limiting central committee cadres to three

successive terms of five years, with provision for mandatory retirement. Deng Xiaoping has sought to dramatize these proposed reforms by declaring his intent shortly to resign his vice premiership, should the NPC agree. This reform, which touches on the critical issue of succession politics, is particularly sensitive, but offers strong evidence of the continued commitment by significant elements of the leadership to a continued program of rationalization and reform.

In retrospect, it seems clear that a shift took place in 1979-1980, a shift marked by the emergence of a consensus on the need to continue the process of reform under tight control. Underlying this consensus is the recognition that modernization requires a prolonged and painstaking process of structural change.

This same view underlies the conviction that there are no easy solutions. Current press discussions allude frequently to problems of bureaucratism, of corruption, of incipient elitism, as well as to problems of inequality, all of which seem likely to intensify. In the view of the leadership, radical and populist solutions proved to be abortive and costly "detours" on the road to socialist modernization, neither fostering growth nor dealing effectively with the problems of bureaucracy and inequality.

What these failures suggest to China's leaders is the critical necessity of restoring party authority and ensuring its institutional adaptation to new requirements of managing reform and development. This adaptation will require an appropriate sharing of power with other institutions and elites. Although China's leaders are gripped by a sense of urgency reinforced by the view that much time was fruitlessly lost in the 1960's and 1970's, they are carefully avoiding the intense mobilization solutions of early years. This view should help to ensure that future "shifts" will reflect a process of mutual accommodation of interests and values and will generate a pattern of adaptive rather than radical change.

### CHINA'S ASIA POLICY

(Continued from page 4)

early 1979, Beijing almost simultaneously proposed that China and the Soviet Union initiate negotiations on the entire range of their differences (save the border question, already the subject of separate talks). Conversations began late in the summer in Moscow, and when the Chinese broke them off after a few months, the recess was supposedly only temporary. The Afghan problem interfered, and the talks have not yet resumed, but (in the writer's opinion) they are likely to begin again soon. Moreover, after late 1979 the Chinese ceased to criticize the Russians for their "revisionist" tendencies, and even stated that "questions of principle," i.e., ideological issues, could be placed on the agenda at the talks.

<sup>11</sup> Renmin Ribao, March, 1980, FBIS, April 7, 1980, L12.12.

So although China faces the Soviet Union from a position of great disadvantage, China's leaders have already shown an interest in negotiating with the Russians. In the great three-sided struggle with Washington and Moscow, Beijing has already revealed its strategy: to use the Americans to fend off the Russians and to help build up China's economy and then, when the time is right, to strike a bargain with the Kremlin. At that point, Beijing would have its cake and could eat it too. It could continue to trade with the Americans, from a much-enhanced bargaining position. It could bring in Soviet equipment and capital to accelerate the pace of development. It could play off the superpowers in the realm of militarysecurity politics, thereby restoring the freedom of maneuver it lost in 1950. And it could argue, increasingly successfully, that not only Southeast Asia but all of Asia should be led by the Asian superpower, China.

Only time will tell whether this grand strategy will work. There are a few difficulties. One is Korea. China cannot treat with South Korea, because of the geographic and political position of North Korea (between China and the Soviet Union) and because at any time North Korea can wage a war against South Korea of high intensity and reasonably long duration. China's Korea policy is thus made in Pyongyang, for the most part, although Beijing does not like the way Kim I1 Song dances between China and the Soviet Union. China has warned Kim not to initiate a new war against South Korea and has whispered to the Americans that they should continue to station United States ground forces along the demilitarized zone. But if Kim were to launch a war tomorrow and run out of ammunition 90 days later, the Chinese would have to come to his aid against the Americans. The Korean problem is a dilemma for China.

So is the Taiwan question. Beijing decided to shelve this issue to gain American support against the Soviet Union and to ensure a flow of American economic aid. Chinese leaders took a calculated risk that, when the time was ripe, they could take the island by force if need be or that the evolution of political forces in Taipei would not move irreversibly in the direction of independence or nuclear weapons-based defensibility. But Taiwan is even more prosperous now than it was at the time of American de-recognition; any political movement there is in favor of independence; and the Nationalists seem to be holding their own militarily. Taiwan is for all intents and purposes a separate state, not a temporarily detached province. In the last year, Beijing has combined a campaign of smiles and offers of trade with Taiwan with continuing, and increasing, incantation of slogans and promises of eventual "liberation." Maybe someday China will be in a position to carry out that promise. But so long as the Soviet Union threatens from the north and the Americans, on whom China must depend, continue as Taiwan's security guarantor, China can take no action.

Current trends may not continue, of course, and this brings up the last of the forces determining China's Asian policy: the changing structure of the international system and, in particular, the "global issues" that affect all states and peoples. The growth in projectable Soviet military power, the emergence of oil (and hence Middle Eastern economic) power, and the long-term decline in relative American capabilities concentrate attention on non-Asian geographic areas and on the American-Soviet strategic balance.

One consequence is that, with the partial exception of Southeast Asia (where the warriors in Hanoi cannot overcome their habit of seeking military solutions to all problems), Asia is a zone of peace. If the peace continues, the engines of economic growth will finally be able to fulfill their potential and transform the region. China included, into earth's most productive area. With that transformation would come tendencies toward interdependence, racial and cultural harmony, and even peace that would be harder and harder to reverse. Problems would remain, to be sure, but they could be worked out, not fought out, and differences among the Asian peoples could be enjoyed, not eliminated. In particular, Chinese Communist ideological extremes would be swamped by the secular tendencies born of development. An Asian community of nations would become a reality.

That is rank idealism, of course. But peace and prosperity, China's current Asian policy, will, if continued, beget just such outcomes. Moreover, China's new attitude toward global issues is promising. A few years ago, the United Nations sponsored a series of conferences on population, food and the environment. It was China's first public exposure to these global issues. Unfortunately instead of treating the issues on their merits, or at least taking the opportunity to curry favor with the third world, China used the meetings as platforms to attack the Russians. Subsequently, many took the Chinese to task for their indiscretion.

Beijing seems now to have learned its lesson. Under Mao, China was not only losing the battle to advancing deserts, soil erosion and deforestation, but was actively contributing to those maladies. Today, it has converted to the need for population control, ecological balance, pollution management, resource recycling, ocean clean-up, and other latter-day ecological panaceas.

Heretofore, every pronouncement, policy and move China has made, in Asia and elsewhere, has had a finely calculated political purpose. But global issues beget interdependence, and interdependence demands the subordination of particular interests to the common good. If this happens, China's Asian policy may be transformed, and China's still narrow, politics-security, development orientation may be decisively overcome.

# THREE MONTHS IN REVIEW

A Current History chronology covering the most important events of May, June and July, 1980, in three monthly sections, to provide a day-by-day summary of world affairs.

May, 1980

### INTERNATIONAL

### **Afghanistan Crisis**

May 2—It is reported in New Delhi that on April 29 Soviet helicopters strafed a crowd of demonstrating students at the University of Kabul. The student protests began after the government unveiled a new flag, which resembles the flag of the monarchy; the death toll in the five days of fighting is reported at about 60.

May 14—In Moscow, Tass, the Soviet press agency, reports an Afghan proposal for the withdrawal of all Soviet troops from Afghanistan if Iran, the U.S., and Pakistan agree to prevent rebel infiltration into Afghanistan and if they promise to stop arming insurgents.

May 15—In Vienna for a meeting with Soviet Foreign Minister Andrei A. Gromyko, U.S. Secretary of State Edmund S. Muskie calls the Afghan proposal "cosmetic."

May 20—In Islamabad, Afghan delegates to the Islamic conference ask Islamic nations to break diplomatic relations with the Soviet Union.

# European Economic Community (EEC, Common Market)

(See also Iran Crisis)

May 22—The EEC countries begin a trade embargo against Iran.

May 30—Meeting in Brussels, the foreign ministers of the EEC reach agreement on a plan to reduce the British share of the EEC budget; the measure must be endorsed by their respective heads of government.

# International Bank for Reconstruction and Development (World Bank)

(See China)

### Iran Crisis

(See also Intl, EEC; Japan)

May 6—The bodies of the 8 U.S. servicemen killed in the unsuccessful April 25 rescue mission to Iran are returned to the U.S. Teheran radio reports that the U.S. hostages are now being held in 12 cities, including Teheran.

May 17—In the U.N., Secretary General Kurt Waldheim announces that he is sending Adib Daoudy, a Syrian member of the U.N. inquiry commission, to Teheran to negotiate for the release of the hostages.

May 18—In Naples, the foreign ministers of the European Economic Community agree to impose economic sanctions against Iran; the sanctions will invalidate trade contracts signed after November 4, 1979, when Iranian militants seized the U.S. embassy in Teheran.

May 19—In London, the British Parliament decides to limit sanctions against trade with Iran to cover only new contracts with Iranian firms.

May 21—The French and German Cabinets vote to impose sanctions retroactive to November 4.

May 24—In The Hague, the International Court of Justice rules that Iran must release all the American hostages

immediately; the court also rules that Iran must make reparations for seizing the hostages.

May 29—In London, the British Department of Trade announces further modification of economic sanctions against Iran; British companies will be permitted to renew existing contracts.

### Islamic Conference

May 17—The 11th Islamic Conference begins in Islamabad.

May 22—The Islamic Conference ends after establishing a ministerial-level committee to negotiate with all parties involved in the Afghanistan crisis.

### Middle East

May 8—Egyptian President Anwar Sadat asks for an indefinite delay "to reflect on the results of the Herzliya talks" (the Palestinian autonomy talks with Israel, Egypt and the U.S.).

May 14—After a personal appeal from U.S. President Jimmy Carter, Sadat agrees to a resumption of the stalled Palestinian autonomy talks.

May 15—In a reversal of its position, the Egyptian government says that Egypt will not resume the stalled talks unless Israel modifies its positions on the West Bank of the Jordan and on Jerusalem.

### North Atlantic Treaty Organization (NATO)

May 13—Meeting in Brussels, NATO's defense ministers agree on measures to strengthen NATO defenses because of the "high risk" period that began with the Soviet intervention in Afghanistan.

# Organization of Petroleum Exporting Countries (OPEC)

May 8—OPEC ministers end a 2-day ministerial meeting in Taif, Saudi Arabia, with some agreement on oil-pricing. May 14—Saudi Arabia raise its oil prices \$2 a barrel, retroactive to April 1.

May 19—Libya, Algeria, Indonesia and Malaysia raise their oil prices \$1 to \$2 a barrel.

# South Pacific Region NEW HEBRIDES

May 28—Plantation workers take over government offices in Santo; the workers are demanding that the island of Espiritu Santo become a separate entity when New Hebrides gains its independence from Britain and France on July 30, 1980.

### **United Nations**

(See also Intl, Iran; Namibia)

May 8—The U.S. abstains from voting as the other 14 members of the Security Council approve a resolution calling Israel's deportation of 3 West Bank Arab leaders "illegal" and calling on Israel to "facilitate the immediate return of the expelled Palestine leaders."

May 27—With 59 nations represented, a U.N. conference in Geneva concludes 2 days of talks on supplying aid to

Cambodia; new pledges totaling \$116 million are made. The Soviet Union and Vietnam did not attend the conference, which called for the cooperation of Vietnam and the Vietnamese pupper regime in Cambodia.

### **Warsaw Pact**

May 15—Warsaw Pact leaders end a 2-day conference in Warsaw.

### **AFGHANISTAN**

(See Intl, Afghanistan Crisis)

### **AUSTRIA**

May 18—Rudolf Kirchschläger is reelected President for his 2d 6-year term.

### **BAHAMAS**

(See Cuba)

### **BELGIUM**

May 11—Caretaker Prime Minister Wilfried Martens announces that 6 political parties have agreed to form a coalition government.

### **CAMBODIA**

(See also Intl, U.N.)

May 24—In Washington, D.C., the U.S. Central Intelligence Agency reports that the Cambodian population may be threatened with "virtual extinction as a people"; the population declined by nearly 2 million people between 1970 and 1979.

### **CANADA**

May 20—In Quebec, in a referendum to determine the status of the French-speaking province, voters reject a proposal of the Parti Québecois to negotiate sovereignty for Quebec, including a special relationship with the rest of Canada. The federalist faction wins 59.2 percent of the vote and the separatists win 40.8 percent.

May 21—In Ottawa, Prime Minister Pierre Elliott Trudeau applauds the results of yesterday's election and calls for a new constitution to meet the needs of modern Canada.

May 27—In Ottawa, Prime Minister Trudeau and Mexican President José López Portillo reach an agreement in which Mexico will sell Canada 50,000 barrels of oil a day in exchange for Canadian industrial development assistance. Canada had asked Mexico for double the amount of oil.

### CHAD

May 16—In Ndjamena, French troops complete their withdrawal.

### CHINA

(See also U.S., Foreign Policy)

May 1—In a rare announcement, the State Statistical Bureau reports a 5.8 percent rate of inflation for 1979; workers in state-owned factories received a 7.6 percent increase in real wages in 1979.

May 14—In Beijing, it is reported that about 10,000 Communist party officials will be sent into the countryside from the cities to help impose stricter discipline.

May 15—In Washington, D.C., the International Bank for Reconstruction and Development (the World Bank) admits China as a member after expelling Taiwan.

May 17—In Beijing, at a memorial ceremony for the late Liu Shaoqi (a former chief of state who was purged during the Cultural Revolution), senior Deputy Prime Minister Deng Xiaoping says Liu was "the first to advance the concept of Mao Zedong's thought."

May 18—In Beijing, the New China News Agency announces the successful launching of an ICBM, the CSSX-4, from mainland China to an area in the South Pacific around the Gilbert Islands, a distance of about 6.000 miles.

May 27—In Tokyo, Prime Minister Hua Guofeng begins a round of talks with Japanese Prime Minister Masayoshi Ohira. Hua is the first Chinese head of state to visit Japan.

May 29—Ren Rong, Chinese party leader in Tibet, is replaced by Yin Fatang, a Tibetan-speaking Chinese.

### **CUBA**

(See also U.S., Cuban Refugees)

May 11—In Nassau, the Bahaman government reports that Cuban fighter planes bombed and sank a Bahaman Defense Forces patrol boat; the boat was towing 2 captured Cuban fishing boats. 4 Bahaman crewmen were killed and several others were wounded.

May 12—In Nassau, Cuban deputy minister of foreign affairs Pelegrin Torras de la Luz arrives for talks with Bahaman Minister of External Affairs Paul L. Adderley.

### **EGYPT**

(See also Intl, Middle East)

May 12—In Cairo, Prime Minister Mustafa Khalil announces the resignation of his Cabinet.

May 22—A nationwide referendum is held on constitutional changes that would enable President Anwar Sadat to remain as President for life and would refer all legislation to the Islamic religious code.

May 23—Interior Minister Nabawi Ismail announces that 98.9 percent of those voting approved the referendum.

### **EL SALVADOR**

May 2—It is reported that former National Guard Major Roberto D'Abuisson and dissident factions of the military have been thwarted in an attempted coup d'etat.

May 5—The ruling military-civilian junta extends the state of seige another 30 days; martial law was first declared March 5.

May 8—Roberto D'Abuisson is arrested.

### **FRANCE**

(See also Intl, Iran Crisis; Chad)

May 19—In Warsaw, President Valéry Giscard d'Estaing meets with Soviet President Leonid I. Brezhnev. The talks are described as an "informal get-together."

May 21—Responding to criticism from the U.S. on the May 19 meeting between President Giscard and Soviet President Brezhnev, Foreign Minister Jean François-Poncet says that France will meet with the Soviet Union without seeking "anyone's prior approval."

May 30—Pope John Paul II arrives on a 3-day visit; this is the first visit to France by a Roman Catholic pontiff in 175 years.

### **GERMANY, WEST**

(See Intl, Iran Crisis)

### GREECE

May 5—In the 3d round of balloting, Parliament elects Prime Minister Constantine Caramanlis as President to succeed the retiring President Constantine Tsatsos.

May 8—Parliament elects Foreign Minister George Rallis to succeed Caramanlis as Prime Minister.

### **GUINEA**

May 14—President Ahmed Sékou Touré survives an assassination attempt; I person is killed and 30 are injured.

### INDIA

- May 6—The Supreme Court dismisses a civil suit against Prime Minister Indira Gandhi and drops two criminal cases against Sanjay Gandhi.
- May 7—In Washington, D.C., it is announced that the government has decided to sell India 40 tons of enriched uranium for a nuclear plant near Bombay.
- May 9—The Supreme Court rules that Parliament does not have the power to enact legislation to curb fundamental rights; the 1976 legislation that enabled Prime Minister Gandhi to invoke emergency powers is thus ruled unconstitutional.
- May 16—In Washington, D.C., the U.S. Nuclear Regulatory Commission votes unanimously not to grant a license for the export of enriched uranium to India; the Indian government has refused to accept international safeguards on its nuclear power plants.

### **IRAN**

(See also Intl, Iran Crisis)

- May 1—In Teheran, President Abolhassan Bani-Sadr says his government will not accept the demands of the Arab gunmen holding hostages in the Iranian embassy in London
- May 5—In London, British commandos and policemen storm the Iranian embassy, kill 5 of the 6 terrorists and rescue 19 hostages; 2 of the hostages were killed by terrorists shortly before the raid began.
- May 8—In Teheran, Farrokhrou Parsa, former Minister of Education under Shah Mohammed Riza Pahlevi, is executed by firing squad; she was accused of embezzling government funds.
- May 9—The second round of balloting begins for the 270member legislature.
- May 12—President Bani-Sadr fails to persuade the ruling Revolutionary Council to appoint a Prime Minister although Ayatollah Ruhollah Khomeini gave them permission to do so on May 9. The Council insists that the Parliament must choose the Prime Minister.
- May 28—In Teheran, the newly elected Parliament convenes; of the 241 seats that have been filled, the Islamic Republicans and other fundamentalists control about 130 seats.
- May 29—Acting Speaker of Parliament Yadollah Sahabi says that it will probably be the end of July before Parliament considers the fate of the U.S. hostages.

### ISRAEL

(See also Intl, Middle East, U.N.; Lebanon)

- May 1—In the West Bank, Najah Ghouli, an Arab youth, is killed by an Israeli army captain.
- May 2—In Hebron, Palestinian terrorists attack a group of Jewish settlers; 5 Israelis are killed and 16 are wounded.
- May 3—In retaliation for yesterday's attack on Israelis, Defense Minister Ezer Weizman orders the deportation of 2 West Bank Palestinian mayors and the Muslim judge of Hebron.
- May 11—Parliament delays a decision on appropriating Arab land in the occupied West Bank.
- May 14—In the occupied West Bank, 2 Israeli ultranationalists, Rabbi Meir Kahane and Baruch Ben-Yosef, are arrested and imprisoned without trial for organizing terrorist attacks against Arabs.

- May 20—The Supreme Court orders the government to show cause within 45 days for the expulsion of 3 officials from Palestinian towns in the West Bank.
- May 25—Defense Minister Ezer Weizman resigns from the Cabinet because of a dispute over military spending.
- May 29—The Cabinet continues to refuse to go along with Prime Minister Menachem Begin's proposal to appoint Foreign Minister Yitzhak Shamir as Defense Minister and Energy Minister Yitzhak Modai as Foreign Minister.

### **ITALY**

- May 12—In Mestre, the head of the anti-terrorist police force for the Venice region, Alfredo Albanese, is shot and killed by terrorists who claim to belong to the Red Brigades.
- May 19—In Naples, Christian Democratic party leader Pino Amato is shot to death by Red Brigades terrorists; 4 of his assailants are captured.
- May 31—Following yesterday's questioning of Prime Minister Francesco Cossiga, a parliamentary committee reports that there is no substance to accusations that the Prime Minister was involved in preventing the arrest of an official's son who is suspected of being a terrorist.

### **JAPAN**

(See also China; U.S., Foreign Policy)

- May 1—In Washington, D.C., U.S. President Jimmy Carter meets with Prime Minister Masayoshi Ohira.
- May 4—In Mexico City, no firm agreement is reached between Prime Minister Ohira and Mexican President José López Portillo for an increase in the amount of Mexican oil purchased by Japan.
- May 16—The ruling Liberal Democratic party of Prime Minister Ohira is defeated in a vote of confidence when dissident Liberal Democratic members, led by former Prime Ministers Takeo Miki and Takeo Fukuda, abstain. Ohira calls for new elections in June.
- May 19—Parliament is officially dissolved in preparation for the June 22 elections.
- May 22—The government imposes sanctions on contracts signed with Iranian firms after November 4, 1979; Japan is Iran's major trading partner.

### KOREA, SOUTH

- May 14—In Seoul, students protesting the continuance of martial law clash with police; 400 students are arrested and more than 400 are reported injured.
- May 15—Prime Minister Shin Hyon Hwak responds to the student demonstrations by promising to accelerate the pace of democratic reforms.
- May 18—In a reversal of the Prime Minister's statement, Information Minister Lee Kyoo Hyun announces the closing of all universities, the prohibition of gatherings and strikes, the extension of martial law, and the imposition of press censorship. Under the martial law decree, military leader Lieutenant General Chon Too Hwan controls the martial-law commanders and reports directly to President Choi Kyu Hah.
- Prominent political and business leaders are arrested. May 19—In Kwangju, 5 anti-government protestors are killed in clashes with riot policemen.
- May 20—As anti-government demonstrations continue in Kwangju, the Cabinet resigns because of its "failure to maintain domestic calm."
- May 21—In Kwangju, demonstrators take control of the
- May 22-President Choi Kyu Hah announces the for-

mation of a new Cabinet headed by chairman of the Korean Traders Association Park Choong Hoon.

May 27—The Martial Law Command announces that its troops have regained control of Kwangju; militants report that since May 18, 161 people have been killed and more than 400 have been seriously wounded.

May 31—A Special Committee for National Security Measures is formed as an advisory body to the civilian government; the committee is made up of 8 Cabinet officials and "15 top armed services officers" under the chairmanship of President Choi.

### **LEBANON**

May 12—On the outskirts of Beirut, fighting between Lebanese rightists and leftists results in the death of 12 people.

May 15—In southern Lebanon, Israeli air raids on Palestinian refugee camps wound 17 people and kill 11.

May 22—The commander of the U.N. peacekeeping force announces that Israel has refused to agree to a new truce in southern Lebanon's border region.

### LIBERIA

May 14—Commerce Minister Major Joseph Douglas and 14 others are arrested for attempting a countercoup against the new military government of Master Sergeant Samuel K. Doe.

### LIBYA

May 2—In Washington, D.C., the U.S. government orders 4 Libyans to leave the U.S. because of their role in an international campaign of terror in the U.S.

May 10—In Rome, a political foe of President Colonel Muammar Qaddafi's, Abdullah Mohammed El Kazmi, is found shot to death; he is the 6th Libyan to be assassinated either in Rome, London, or Beirut in the last 2 months.

May 11—In Washington, D.C., the 4 Libyan terrorists leave the U.S. after taking refuge in the Libyan embassy. May 21—2 Libyans are assassinated, one in Rome and one in Athens; the Libyan Revolutionary Committees in Rome claim responsibility for the Rome killing. Qaddafi has reportedly embarked on a campaign to eradicate Libyan exiles opposed to his government.

### **MEXICO**

(See Canada; Japan)

### NAMIBIA (SOUTH-WEST AFRICA)

May 13—In the U.N., South African Foreign Minister Roelof Botha submits his government's response to the 5-nation plan for the independence of Namibia. South Africa's response to the plan is called ambiguous by U.N. officials.

### **NEPAL**

May 2—A nationwide referendum is held to decide whether political parties should be permitted; this is the first nationwide vote in 22 years.

May 14—Voters overwhelmingly reject parliamentary democracy in favor of retaining rule by the king and his advisers.

### **NICARAGUA**

May 18—The junta appoints 2 moderate politicians, Rafael Córdova Riva, a Conservative party member and a member of the Supreme Court, and Arturo Cruz, presi-

dent of the Central Bank, to replace 2 junta members who resigned last month.

May 22—In Moscow, junta member Moises Hassan Morales concludes a 6-day official visit; he signs economic accords with the Soviet government.

### **PERU**

May 20—Election results from the May 18 presidential and congressional elections give former President Fernando Belaunde Terry 43 percent of the vote; he defeats the 11 other candidates. This is the first national election since 1963.

### **PHILIPPINES**

May 8—The government releases former Senator Benigno S. Aquino from detention so that he can fly to the U.S. for an emergency coronary bypass operation.

### **RWANDA**

May 5—Government sources report the arrest of former security chief Major Théonaste Lizinde for attempting a coup d'etat against President Juvénal Habyarimana.

### SOUTH AFRICA

(See also Namibia)

May 2—In Cape Province, colored teachers join schoolchildren in boycotting classes because of inequality in educational facilities.

May 6—Colored students return to classes after Prime Minister P.W. Botha promises to investigate the students' complaints.

May 8—A government spokesman says that a Council of Black South African Citizens will be created as an advisory panel on the new constitution; however, the panel will not participate in integrated lawmaking bodies.

May 21—In Cape Province, colored students resume their boycott of classes to join with black students in Bloemfontein township who are protesting educational inequalities. Fort Hare University, a black university, was closed last week.

May 26—In Johannesburg, Anglican Bishops Timothy Bavin and Desmond Tutu are among 53 church officials arrested for holding an unauthorized open air meeting.

May 27—Parliament begins debate on constitutional reform to establish consultative bodies for blacks, coloreds, and Asians.

May 28—In Johannesburg, police open fire on student demonstrators; 2 people are killed and several are injured.

### **SPAIN**

May 30—In Madrid, by a vote of 166 to 152, Prime Minister Adolfo Suarez's government survives a censure motion proposed by the Socialists.

### SWEDEN-

May 1—At midnight, about 800,000 industrial and transportation workers are locked out of their jobs by members of the Swedish Employers Federation, who contend they cannot meet union wage demands.

May 11—An agreement is reached between employers and the trades union.

### **TANZANIA**

May 17—In Dar es Salaam, the *Daily News* reports that the government has released 12 of the 19 members of the banned Pan-African Congress who were jailed for 11

ELECTRONIC REPRODUCTION PROHIBITED

months on charges stemming from the assassination of David Sibeko, a leader of the Pan-African Congress.

### **TURKEY**

- May 8—In Ankara, regional leader of the Republican party
  Mustafa Kulkuloglu and 14 others are killed in political
  violence
- May 27—In Ankara, deputy chairman of the Nationalist Action party Gun Sazak is shot and killed by assassins.

### **UGANDA**

- May 10—President Godfrey L. Binaisa dismisses Army Chief of Staff Brigadier David Ovite Ojok, a close friend of former President Milton Obote's.
- May 13—A 6-member military commission announces that it has formed a new government and will rule the country until December elections are held.
- May 15—In Kampala, Paulo Muwenga, leader of the military junta, says the coup was carried out because of the ambition and greed of former President Binaisa.
- May 27—Former President Milton Obote returns to Uganda after 9 years in exile; he is a presidential candidate in the December, 1980, elections.

### U.S.S.R.

(See also Intl, Afghanistan Crisis; France; Nicaragua)

May 1—In Washington, D.C., administration officials report that the Soviet Union has launched a spy satellite, Cosmos 1176, with a nuclear reactor on board, to monitor U.S. ships in the Indian Ocean.

May 8—In Belgrade, President Leonid I. Brezhnev attends the funeral of Yugoslav President Josip Broz Tito.

May 19—In Warsaw, President Brezhnev confers with French President Valéry Giscard d'Estaing.

### **UNITED KINGDOM**

### **Great Britain**

(See Intl, Iran Crisis, South Pacific Region, Iran, U.S., Foreign Policy)

### UNITED STATES

### Administration

- May 2—President Jimmy Carter orders the new Department of Education to begin operations at 12:01 A.M. May 4.
- May 5—The Environmental Protection Agency issues some 2,000 pages of rules controlling the disposal of hazardous industrial wastes.
- May 13—The Civil Aeronautics Board votes to allow the airlines greater freedom in raising (or in some cases, lowering) domestic and overseas air fares.

In Washington, D.C., U.S. district court Judge Aubrey Robinson, Jr., rules that President Carter does not have the legal authority to impose a 10-cents-a-gallon conservation fee on gasoline; the Justice Department will appeal the decision.

May 14—The Department of Health, Education and Welfare becomes the Department of Health and Human Services.

May 21—President Carter declares a state of emergency for the Love Canal area in Niagara Falls, N.Y., as the first of some 710 families begin to leave the area contaminated by toxic wastes; on May 17, the Environmental Protection Agency reported evidence of chromosome damage in some residents of the Love Canal area.

May 28—Special prosecutor Arthur H. Christy reports that there is no evidence to warrant indicting presidential chief of staff Hamilton Jordan for using cocaine.

May 29—A New York State Assembly task force reports that during World War II the federal government dumped toxic substances in at least 5 sites around Niagara Falls, including the Love Canal area.

### Civil Rights

- May 15—The Justice Department asks a Houston, Texas, U.S. district court to order a desegregation plan for the 23 metropolitan school districts.
- May 18—Rioting, looting and arson continue in Miami for a 2nd day; the racial violence follows yesterday's acquittal of 3 white former police officers who were charged with beating a black insurance agent to death on December 17, 1979. More than 600 National Guardsmen are patrolling the streets of the city.
- May 19—Florida Governor Bob Graham orders 2,500 more guardsmen to Miami; a dawn-to-dusk curfew is in its 2d day. Thus far 15 people have died and about 300 have been hurt. Some 700 people have been arrested.
- May 21—Curfews are lifted and National Guard strength is reduced in Miami. Business losses are likely to total \$100 million
- May 29—President of the National Urban League Vernon E. Jordan, Jr., is shot and seriously wounded in Fort Wayne, Indiana, by an unidentified sniper.

### **Cuban Refugees**

- May 2—The U.S. State Department reports that about 300 Cubans armed with clubs, pipes and chains have attacked hundreds of people outside the U.S. Interest Building in Havana, Cuba; they are seeking information about emigration to the U.S.
- May 5—President Carter says that the U.S. offers "open arms" for the "literally tens of thousands" of Cuban refugees.
- May 6—President Carter declares a state of emergency in those areas of Florida inundated by Cuban refugees and authorizes \$10 million to help community relief efforts.
- May 9—The first Cuban refugees arrive at Fort Chaffee, Arkansas, where some 20,000 refugees are to be located temporarily.
- May 14—President Carter says that we "are prepared to start an airlift or a sealift immediately" to handle the influx of Cubans into the U.S. in an orderly fashion if Cuban President Fidel Castro will cooperate in screening the refugees for undesirables before they leave Cuba; the Coast Guard has been instructed to enforce penalties against boat owners who disregard regulations about bringing aliens into the country.
- May 17—The Coast Guard sets up a 200-mile patrol zone off Florida to stop vessels headed for Cuba and those attempting to come from Cuba with refugees.
- May 20—Presidential special assistant for intergovernmental affairs Jack H. Watson, Jr., says that the Cubans arriving in this country will be treated as applicants for asylum and not as refugees.
- May 25—Hundreds of Cuban refugees at Elgin Air Force Base scuffle with military police and demonstrate against delays in processing.
- May 30—The U.S. Customs Bureau says that the owners of some 270 commercial vessels seized for transporting refugees will be allowed to post surety bonds and get their boats back. Some 89,000 refugees have been brought to Key West in the last month.

### **Economy**

May 2—The Labor Department reports that the nation's unemployment rate rose to 7 percent in April.

May 6—The Federal Reserve drops its 3 percentage points surcharge rate, which was added to its 13 percent discount rate on March 14 on loans to banks that borrow frequently.

May 7—The Commerce Department reports a record \$12.2 billion foreign trade deficit for the 1st quarter of 1980.

May 9—The Labor Department reports that its producer price index rose only 0.5 percent in April.

May 20—The Commerce Department reports that the nation's gross national product (GNP) tose only 0.6 percent in the 1st quarter of 1980.

May 22—The Federal Reserve Board eases most of the credit controls it instituted March 14.

May 23—The Labor Department reports that the consumer price index rose only 0.9 percent in April.

Citibank and the Bank of America reduce their prime rate to 14.5 percent.

May 28—The Federal Reserve Board lowers its discount rate to 12 percent from 13 percent.

### Foreign Policy

(See also Cuban Refugees; Intl, Middle East; China; India; Japan; Libya)

May 1—In a ceremony at the White House, President Carter and Japanese Prime Minister Masayoshi Ohira sign a 5-year agreement for collaboration in basic scientific research.

May 4—Commenting on the death of Yugoslav President Josip Broz Tito, President Carter says that "... America will continue its long-standing policy of support for Yugoslavia."

May 7—Department of State and Commerce officials report that the Armco Corporation will be permitted to sell \$5-million worth of oil-drilling equipment to the Soviet Union but will not be allowed to export the technology needed by the Soviet Union to produce its own equipment.

The State Department says that the U.S. will send 40 tons of uranium reactor fuel to India; the shipment has been delayed because India would not agree to stop further nuclear device testing; President Jimmy Carter agrees to the shipment to improve relations with India.

Vice President Walter Mondale arrives in Belgrade, Yugoslavia, to attend Tito's funeral.

May 8—Edmund S. Muskie is sworn in as Secretary of State.

May 16—Secretary of State Muskie confers in Vienna with Soviet Foreign Minister Andrei A. Gromyko.

May 20—The State Department expresses disappointment that "the British government has decided not to make British sanctions on exports to Iran effective as of November 4 [1979]."

Referring to a meeting in Warsaw between French President Valéry Giscard d'Estaing and Soviet President Leonid Brezhnev, Secretary of State Muskie expresses concern that the French leader who gave Muskie "a lecture on consultation . . . was not inclined to practice what he was preaching"; he did not consult allies before his Warsaw meeting.

Deputy Secretary of State Warren M. Christopher agrees to retain his post until after the November elections.

May 29—After meeting in Washington, D.C., with Chinese Deputy Prime Minister Geng Biao, Defense Secretary Harold Brown says that the U.S. will permit the sale of air defense radar, helicopters and transport planes to China and will allow U.S. companies to construct electronic and helicopter factories in China.

### **Labor and Industry**

May 10—The Chrysler Loan Guarantee Board rules that the Chrysler Corporation can, with some conditions, receive \$1.5 billion in federal loan guarantees; Congress has 15 days to consider and agree to the board's ruling.

May 12—The Transportation Department reports that the Firestone Tire and Rubber Company will pay a \$500,000 fine for not recalling some 400,000 tires that it knew would probably fail federal safety standards.

### Legislation

May 7—By a 94-2 vote, the Senate confirms Senator Edmund S. Muskie (D., Me.) as Secretary of State; he resigns as Senator.

May 16—President Carter signs an interim \$2.56-billion appropriations bill to fund the food stamp program. Both houses of Congress approved the measure May 15.

May 22—In voice votes, the Senate and House approve legislation authorizing the completion of Northeast Corridor rail improvements.

### Military

May 16—Secretary of Defense Harold Brown orders the services to focus on the maintenance of weapons already in use instead of procurement of new weapons, in preparing the military budget for 1982.

May 29—Testifying before a House armed services subcommittee, the Joints Chiefs of Staff agree that the U.S. defense establishment needs a larger budget than that proposed by President Carter and Defense Secretary Harold Brown.

### **Political Scandal**

May 27—In Brooklyn, a federal grand jury indicts Representative Michael O. Myers (D., Pa.) on charges growing out of the Federal Bureau of Investigation's Abscam inquiry into alleged public corruption.

May 28—The same jury indicts Representative Raymond F. Lederer (D., Pa.) on similar charges.

### **Politics**

May 3—President Carter wins the Texas Democratic primary over Senator Edward Kennedy (D., Mass.) with 56 percent of the vote; Ronald Reagan beats George Bush in the Republican primary with 51.7 percent of the vote.

May 6—President Carter and Reagan win their respective primaries in Indiana, North Carolina and Tennessee.

May 20—George Bush defeats Reagan in the Michigan Republican primary.

May 26—George Bush ends active campaigning and says he will ask his delegates to vote for Reagan at the Republican convention.

May 27—By a substantial margin, President Carter wins over Kennedy in the Kentucky Democratic primary.

### Science and Space

May 18—In Washington, Mt. St. Helens erupts, sending clouds of steam and ashes over a wide area and causing damaging mudslides in the Toutle River valley; more than 100 people are dead or missing.

### **Supreme Court**

May 12—In a 6-3 decision, the Supreme Court overturns a ruling of the Rhode Island Supreme Court and upholds the conviction of Thomas Innis for murder, although the police were said to have used "subtle coercion" in his interrogation. For the first time, the Court defines the

type of "interrogation" of suspects that may be used in criminal cases.

### **VATICAN**

(See also France)

May 12—In Rome, Pope John Paul returns from his 10-day African visit; he visited Zaire, the Congo, Kenya, Ghana, Upper Volta and the Ivory Coast.

May 23—The Vatican issues a 10-page paper calling for an end to "abuses" in Roman Catholic worship, such as the manipulation of liturgical texts for social and political ends."

### **YUGOSLAVIA**

(See also U.S., Foreign Policy)

May 4—In Belgrade, Tanyug, the official press agency, announces the death of President Josip Broz Tito after a long illness; Tito led Yugoslavia ever since World War II.

Vice President Lazar Kolisevski succeeds Tito as President and Stevan Doronjski is named to succeed Tito as chairman of the Yugoslav Communist party.

May 8—Funeral services are held for President Tito; U.S. Vice President Walter Mondale, Soviet President Leonid Brezhnev and Chinese Prime Minister Hua Guofeng attend.

May 15—At the expiration of his one-year term as Vice President (and thus successor to President Tito), Lazar Kolisevski is succeeded as President by Cvijetin Mijatovic.

### ZAIRE

May 20—In London, Amnesty International accuses the government of starving to death or executing hundreds of political prisoners in jungle camps.

### ZIMBABWE

May 24—In Salisbury, Prime Minister Robert Mugabe says that he has agreed to use military force against the rebels who are fighting the Mozambican government of President Samora Machel and who take refuge in Zimbabwe.

### June, 1980

### INTERNATIONAL

### **Afghanistan Crisis**

June 7—In New Delhi, heavy fighting is reported on the outskirts of Kabul between Soviet troops and Afghan rebels.

June 9—Nearly 1,000 rebels are reported killed by Soviet mortars and tanks.

June 22—In Moscow, Tass reports that Soviet President Leonid I. Brezhnev has declared that "the interventionists" have been defeated in Afghanistan.

In Moscow, Tass announces that some Soviet army units will be withdrawn from Afghanistan.

June 27—In New Delhi, reports indicate that between 8,000 and 10,000 Soviet troops were withdrawn from Afghanistan; they were highly specialized units and unsuitable for fighting in Afghanistan.

# Association of Southeast Asian Nations (ASEAN)

(See U.S., Foreign Policy)

### **Economic Summit Meeting**

June 22—The leaders of the 7 major industrial nations begin their economic summit meeting in Venice and support a call for a "global summit" on oil prices.

The leaders issue statements calling "the Soviet military occupation of Afghanistan . . . unacceptable"; they also "condemn the taking of hostages and the seizure of diplomatic premises and personnel."

June 23—The leaders of the 7 nations at the Venice economic summit pledge a reduction in their use of oil by some 15 million barrels a day by 1990 and promise to encourage the development of alternate energy sources; they also pledge to use all available means to help poor countries cope with rising oil prices.

# European Economic Community (EEC, Common Market)

June 5—French President Valéry Giscard d'Estaing says that plans to admit Spain and Portugal to membership in the EEC should not be pressed until EEC members resolve their differences over agricultural policy.

June 13—EEC members suggest that the Palestine Liberation Organization (PLO) be "associated" with talks about the Middle East peace settlement; they call the

Israeli "territorial occupation" of the West Bank and the Gaza Strip and its settlements in occupied lands "a serious obstacle to the peace process."

At the close of their meeting, EEC leaders issue a statement calling continuing OPEC price rises a threat to the world's economy.

# International Bank for Reconstruction and Development (World Bank)

June 9—Robert S. McNamara announces that he will retire as president of the World Bank on June 30, 1981.

### International Monetary Fund

(See Turkey)

### Iran Crisis

June 2—Defying a U.S. ban on travel to Iran, an unofficial 10-member U.S. delegation headed by former Attorney General Ramsey Clark attends the opening session of a 4-day Iran-sponsored conference in Teheran on the U.S. role in Iran.

June 7—Ramsey Clark and 5 other members of the U.S. delegation meet with the Iranian militants who hold the U.S. hostages.

June 15—In Teheran, U.N. envoy Adib Daoudy completes his mission with Iranian officials and prepares to leave for the U.S.; at a news conference yesterday, Foreign Minister Sadegh Ghotbzadeh says there is no reason for Daoudy or his commission to return to Iran.

Ramsey Clark returns to the U.S.

June 30—In Cairo, the deposed Shah Riza Mohammed Pahlevi undergoes surgery.

### Middle East

(See also *EEC*)

June 14—In Beirut, the PLO says that the EEC statement that the PLO should be "associated" with Middle East peace negotiations is not strong enough because it does not recognize the PLO and call for a Palestinian state.

In Washington, D.C., U.S. President Carter says that, "we will not recognize the PLO until after the PLO recognizes Israel's right to exist."

### North Atlantic Treaty Organization (NATO)

June 26-In Ankara, Turkey, the NATO alliance concludes

its annual meeting and calls for "immediate, unconditional and total withdrawal of foreign troops from Afghanistan."

# Organization of Petroleum Exporting Countries (OPEC)

June 8—Representatives of the 13-nation OPEC meet in Algiers to try to agree on the prices of OPEC oil.

June 10—OPEC nations agree to price their oil at between \$28 and \$37 a barrel.

# South Pacific Region NEW HEBRIDES

June 11—In response to a request from Chief Minister Walter Lini, Britain and France send troops to end the rebellion on Espiritu Santo.

### **United Nations**

(See Iran Crisis; Angola; Israel; Namibia)

June 5—In a 14-0 vote, with the U.S. abstaining, the Security Council rebukes Israel for not protecting Arab lives in the West Bank area.

### **AFGHANISTAN**

(See Intl, Afghanistan Crisis)

### **ANGOLA**

June 13—In Pretoria, South African Prime Minister P.W. Botha tells Parliament that South African troops and planes launched a raid from Namibia (South-West Africa) on the South-West Africa People's Organization headquarters in Angola; he claims that in the week-long attack more than 200 guerrillas were killed and that South African soldiers confiscated more than 100 tons of Communist-made military equipment.

June 14—In Johannesburg, a South African government spokesman says that South African troops have

withdrawn from southern Angola.

June 26—In Luanda, a spokesman for the Angolan government says that more than 3,000 South African soldiers continue to occupy several towns in southern Angola.

June 27—In the U.N., the Security Council demands the immediate withdrawal of South African troops from Angola.

### **BANGLADESH**

June 4—In Dacca, Awami League members of Parliament protest today's execution of 5 of former President Mujibur Rahman's military guards; they were sentenced by a military tribunal for murdering Prime Minister Shah Azizur Rahman's political opponents in 1977.

### BOLIVIA

June 29—Presidential and congressional elections are held.

### **CAMBODIA**

(See also Thailand)

June 10—Guerrilla supporters of former Prime Minister Pol Pot ambush a train; 200 people are wounded and nearly 200 people are killed in the ambush.

June 17—In Thailand, more than 600 Cambodian refugees return to Cambodia at the beginning of a voluntary mass repatriation program under the auspices of the U.N. and Thailand.

### **CANADA**

June 9—Prime Minister Pierre Elliott Trudeau and the premiers of the 10 provinces agree to hold a formal

session in early September to discuss constitutional change.

### CHINA

June 8—Foreign Minister Huang Hua arrives in Stockholm on the first leg of a trip to talk to Swedish, Norwegian and Danish officials.

June 12—Roman Catholic Bishop Deng Yiming of Canton is released from prison; he was imprisoned 22 years for counterrevolutionary activities.

### **EGYPT**

June 5—In a speech on the fifth anniversary of the reopening of the Suez Canal, President Anwar Sadat warns Ethiopia against taking any action to block the waters of the Nile. Ethiopia recently protested to the Organization of African Unity that Egypt is diverting water from the Nile to irrigate parts of the Sinai.

June. 12—In Washington, D.C., Air Force Chief of Staff General Lew Allen, Jr., announces that the U.S. will send 12 F-4 Phantom fighter planes and 400 pilots and staff to Egypt to train alongside the Egyptian Air Force.

June 15—Minister of the Economy Abdel-Razzak Abdel-Meguid presents the 1980 budget to Parliament; the budget includes increased food and essential services subsidies.

June 16—Minister of State for Information Mansour Hassan says that martial law is being reimposed along the Mediterranean near the Egyptian-Libyan border.

### **EL SALVADOR**

June 10—In San Salvador, fighting continues between government forces and left-wing guerrillas; the Human Rights Commission estimates that 3,200 Salvadorans have been killed in political violence so far this year.

June 24—In San Salvador, a 2-day anti-government general strike begins.

### **ETHIOPIA**

(See Egypt)

### **FRANCE**

June 26—President Valéry Giscard d'Estaing announces that earlier this week France successfully tested a prototype of a neutron bomb warhead on an atoll in the South Pacific.

### **GERMANY, WEST**

(See also Greece; Saudi Arabia; U.S., Foreign Policy)

June 30—Chancellor Helmut Schmidt arrives in Moscow for a 2-day state visit with Soviet President Leonid I. Brezhnev.

### **GREECE**

June 28—In Ankara, Greek Foreign Minister Constantine Mitsotakis and Turkish Foreign Minister Hayrettin Erkmen agree to continue "meaningful negotiations" at the ministerial and secretary general level to resolve their differences.

June 30—In Athens, the government rejects a \$34-million West German military aid package "as a matter of principle." The government is protesting the recent West German aid package to Turkey of \$340 million, 10 times larger than the package offered to Greece.

### **ICELAND**

June 30—Vigdis Finnbogadottir is elected President; she is Iceland's first female President.

### INDIA

(See also U.S., Foreign Policy)

- June 2—Official election results from last week's state elections give Prime Minister Indira Gandhi's Congress party control of 8 of the 9 state governments where elections were held.
- June 3—Foreign Minister P.V. Narasimha Rao arrives in Moscow for a 5-day state visit.
- June 9—Additional Indian Army troops are sent to Assam and Tripura to put down protests against the influx of Bengali immigrants.
- June 14—It is reported in Mandai that on June 7 and 8 tribal groups slaughtered Bengali villagers in Tripura State, adjoining Bangladesh; 350 people are reported killed. More than 200,000 people are said to have fled from their homes in Tripura State in recent weeks.
- June 23—Sanjay Gandhi, Prime Minister Gandhi's son and a member of Parliament, is killed when his plane crashes.

### **IRAN**

(See also Intl, Iran Crisis)

- June 12—In Teheran, Islamic Revolutionary Guards open fire on left-wing members of the People's Mujahideen demonstrating in front of the U.S. embassy; one person is reported killed and 400 are reported injured.
- June 17—Commander of the Revolutionary Guards Arbas-Agha Zahani (Abu Sharif), recently appointed by President Abolhassan Bani-Sadr, resigns because of dissension in the armed forces.
- June 18—Head of the state radio and television Taghi Riahi, a supporter of President Bani-Sadr, resigns his post; he says he is unable to perform his duties because of dissension in the broadcasting system.

The Islamic Revolution, a newspaper owned by President Bani-Sadr, reports that the fundamentalist Islamic Republican party is planning to undermine Bani-Sadr's authority and remove him from office.

June 21—A military court accuses 15 more soldiers of plotting with Iraqis to overthrow the government.

June 27—In a speech over national radio, Ayatollah Ruhollah Khomeini demands that all remnants of the Shah's rule be eradicated; he urges President Bani-Sadr to investigate government officials.

June 29—Bani-Sadr appoints Kazem Bojnourdi as commander of the Revolutionary Guards.

In a response to Khomeini's demand that corrupt elements be purged from government bureaucracy, Bani-Sadr says he is not responsible for the corruption of current government officials because he did not appoint them.

June 30—The Foreign Ministry orders Soviet embassy first secretary Vladimir Golovanov to leave the country within 24 hours; he is accused of spying for the Soviet Union.

### **IRAQ**

(See also Iran)

June 20—Nationwide parliamentary elections are held; there are 840 candidates for the 250-seat National Assembly. These are the first elections since the overthrow of the monarchy in 1958.

### **ISRAEL**

(See also Intl, Middle East, U.N.)

June 1—Prime Minister Menachem Begin announces that he will temporarily assume the post of Defense Minister to replace Ezer Weizman, who resigned as Defense Minister last week.

- June 2—In the Israeli-occupied West Bank, 3 Palestinian mayors, outspoken opponents of Israeli occupation, are targets of bomb attacks; 2 of the mayors, Bassam al-Shaka of Nablus and Karim Khalef of Ramallah, are seriously injured when bombs explode in their cars; a third mayor, Ibrahim Tawil of Bireh, escapes injury.
- June 3—Israeli security officials suspect the June 2 automobile bombings were carried out by right-wing Jewish terrorists.
- June 6—The Supreme Court refuses to order the release of Rabbi Meir Kahane, former leader of the Jewish Defense League, who has been detained without trial since May 13
- June 9—In Beirut, Al Fatah leader Majed Abu Shrar says that Palestinian guerrillas will try to establish a major base in Jordan to expand operations against Israel.
- June 15—The Cabinet denounces the declaration by the EEC nations that the Palestine Liberation Organization be "associated" with the Middle East peace talks.
- June 19—The Cabinet agrees to cut the \$4.4-billion military budget by \$145 million to try to curb inflation; Finance Minister Yigael Hurwitz asked for a \$315-million cut.
- June 22—Prime Minister Begin announces plans to move his office and the Cabinet conference room to a new office building being constructed in East Jerusalem, the largely Arab sector of the city.
- June 23—U.N. Secretary General Kurt Waldheim says Begin's plan to move offices to East Jerusalem will "heighten tension" in the Middle East.
- June 30—The U.N. Security Council votes 14 to 0 to condemn Israeli policies on Jerusalem.

In Parliament, Prime Minister Begin suffers a heart attack; he is rushed to a hospital where his condition is described as fair.

### **ITALY**

June 10—Results from the June 8 and 9 regional and municipal elections give the Christian Democrats modést gains; the Communist party maintains its strength in the industrial cities.

### **JAMAICA**

- June 22—Prime Minister Michael Manley announces that 26 members of the Jamaica Defense Force and 1 civilian are being detained for planning to overthrow the government
- June 27—26 soldiers are charged with treason for their role in conspiring against the government.

### **JAPAN**

- June 12—Prime Minister Masayoshi Ohira dies of a heart attack; chief Cabinet secretary Masayoshi Ito becomes acting Prime Minister until scheduled elections are held. Ohira was hospitalized on May 31 for exhaustion and a heart problem.
- June 23—In yesterday's nationwide parliamentary elections, the governing Liberal Democratic party wins majorities in both houses of Parliament; party leaders must select the new Prime Minister before Parliament reopens July 17.

### **JORDAN**

June 18—At the conclusion of the talks with U.S. President Jimmy Carter in Washington, D.C., King Hussein assures the U.S. that Jordan will not allow Palestine Liberation Organization guerrillas to stage attacks against Israel from Jordan. Hussein refuses to join the Middle East peace talks.

### **KENYA**

June 27—The government agrees to permit the U.S. to expand the use of its military facilities in exchange for increased military and economic aid.

### KOREA, SOUTH

June 1—In a report issued by the military investigators of the Martial Law Command, opposition leader Kim Dae Jung is accused of "manipulating and agitating" students in the city of Kwangju.

June 12—In his first address since the Kwangju uprising and the declaration of martial law, President Choi Kyu Hah says that the Martial Law Command will conduct a "purification campaign" to "eradicate various social ills and degenerative trends" and "irrationality on the campuses."

June 18—The Martial Law Command announces that former Prime Minister Kim Jong Pil and 9 other politicians and former government officials charged with corruption have agreed to relinquish their fortunes, estimated at \$147.6 million, and retire in exchange for the government's promise not to prosecute them.

June 20—A spokesman for the South Korean Central Intelligence Agency says that it has dismissed more than 300 of its agents in an attempt to purge the agency of "corrupt or incapable" employees.

June 30—Information Minister Lee Kwang Pyo accuses North Korea of stepping up its infiltration of South Korea to try to take advantage of the recent unrest in South Korea.

### **LEBANON**

June 7—Prime Minister Selim al-Hoss and his Cabinet resign; talks are expected to begin tomorrow on the composition of a new Cabinet.

### LIBERIA

June 14—Liberian police arrest A.B. Tolbert, the son of the late President William R. Tolbert, Jr., in the French ambassador's residence in Monrovia.

June 16—In Abidjan, Ivory Coast, head of state Master Sergeant Samuel K. Doe meets with the leaders of Ivory Coast, Guinea, Togo and Sierra Leone.

### **NAMIBIA**

(See also Angola).

June 23—In a letter, U.N. Secretary General Kurt Waldheim assures South African Foreign Minister Roelof F. Botha that the U.N. will conduct "completely impartial" elections in Namibia.

### **OMAN**

June 5—In Washington, D.C., a State Department spokesman announces that Oman has agreed to give U.S. military aircraft and ships access to its airfields and ports.

### **PHILIPPINES**

June 17—The Defense Ministry announces that a former Senator and 33 others, mostly retired military personnel, have been formally charged with conspiring to overthrow the government of President Ferdinand E. Marcos; all but 8 of the 34 people have been arrested.

### SAUDI ARABIA

June 16—King Khalid arrives in Bonn, West Germany, for a 4-day state visit.

June 28—Southern Yemen President Ali Nasser Mohammed arrives in Riyadh for a state visit.

### SOUTH AFRICA

(See also Angola; Namibia)

June 1—2 synthetic petroleum plants and one of the country's largest oil refineries are heavily damaged by bomb blasts; the damage is estimated at about \$8 million.

In London, a spokesman for the African National Congress claims responsibility for the sabotage.

June 7—Members of the independent black churches disassociate themselves from the activist South African Council of Churches; last month the Council's secretary general, Bishop Desmond Tutu, was arrested when he supported a boycott of schools by nonwhites.

June 16—In black areas around Johannesburg and Bloemfontein, police fire on demonstrators commemorating the 4th anniversary of the Soweto riots.

June 18—Fighting between blacks and police continues in the Cape Town outskirts; approximately 36 people have been killed in 2 days of fighting.

June 30—In order to prevent additional violence, the government extends its ban on political gatherings for 2 more months.

### SPAIN

June 25—Shortly before U.S. President Carter arrives for a state visit, Basque separatists explode bombs in tourist areas of Alicante Province. The separatists are demanding the release from jail of 19 political prisoners.

### SUDAN

June 3—President Gaafar al-Nimeiry dismisses Foreign Minister and Vice President Rashid al-Tahir and Minister of Parliamentary Affairs Galal Ali.

### **THAILAND**

(See also Cambodia; U.S., Foreign Policy)

June 23—In Bangkok, the supreme military command reports that 16 Vietnamese soldiers crossed the Vietnam-Thailand border in pursuit of Cambodian guerrillas.

June 24—In the U.N., Thailand protests the Vietnamese incursion.

June 26—About 8,000 Vietnamese troops are reported to be setting up bases along the Thai-Cambodian border.

Thai Foreign Minister Air Chief Marshal Siddhi Savetsila says that 100,000 Cambodians were driven into Thailand by Vietnamese troops in recent days.

### **TURKEY**

(See also *Greece*)

June 18—Parliament votes to extend martial law in 20 provinces for 2 months.

June 19—The International Monetary Fund approves a 3year, \$1.6-billion loan to Turkey; Turkey now receives more foreign aid than any other nation.

### U.S.S.R

(See also Intl, Afghanistan Crisis, Economic Summit Meeting)

### **UNITED STATES**

### Administration

June 6—The Justice Department says that it will move in U.S. district court in Atlanta to dismiss the remaining charges of bank fraud against former Budget Director Bert Lance; on April 30, a jury found Lance not guilty of a series of bank fraud charges but could not agree on the

remaining 3 counts, which resulted in a mistrial.

June 11—President Carter appoints Jack H. Watson, Jr., to replace Hamilton Jordan as White House chief of staff; Jordan is on leave to aid the President's reelection

campaign.

June 19-The Secretaries of the Treasury, Labor, and Health and Human Services Departments, trustees of the Social Security System, warn that Congress must put more money into the system by late 1981 to provide sufficient funds for old age benefits.

June 30—The White House announces a \$96.1-million summer job program in the 31 cities suffering most from

the recession.

### Civil Rights

June 9-Visiting the riot-torn Liberty City area of Miami, President Carter is booed by demonstrators; the President offers federal aid to help repair the damages caused by last month's riots.

June 27—Presidential assistant for intergovernmental affairs Gene Eidenberg announces that Miami will receive \$71 million in federal assistance to help restore areas damaged in last month's Miami rioting.

### **Cuban Refugees**

June 1-Upset by processing delays, some 200 Cuban refugees waiting in the Fort Chaffee relocation center riot and break out through the main gate; Army reserves force the refugees back into the camp, where 18,000 refugees are waiting for relocation.

June 2—After yesterday's riot, 300 soldiers are ordered into

Fort Chaffee to maintain order.

June 7-President Carter orders the Justice Department to move to expel "undesirable" Cuban refugees.

June 20—Coordinator for Refugee Affairs Victor H. Palmieri announces that the 114,000 Cuban refugees and some 15,000 Haitian refugees will be allowed to remain in the U.S. for 6 months and may become permanent residents after 2 years.

June 25—U.S. District Judge Sidney Aronovitz orders the release of 31 shrimp boats seized for bringing refugees

from Cuba.

### Economy

June 6—The Labor Department reports that the nation's unemployment rate rose to 7.8 percent in May.

The Labor Department reports a small 0.3 percent rise in its producer price index in May.

June 12—The Federal Reserve Board lowers its discount rate to 11 percent, its 2d reduction in 2 weeks.

June 24—The Labor Department reports that its consumer price index rose 0.9 percent in May.

June 27—Following the June 23 lead of Morgan Guaranty Trust Company, Citibank and Bankers Trust Company lower their prime rate to 11.5 percent.

The Commerce Department reports that the nation's foreign trade deficit rose to \$3.96 billion in May.

June 30—The Commerce Department reports that its index of leading economic indicators fell 2.4 percent in May.

### Foreign Policy

(See also Intl, Economic Summit Meeting, Iran Crisis, Middle East; Egypt; Jordan)

June 18-The White House says that President Carter's decision to approve the shipment of 38 tons of nuclear fuel to India will be presented to the Senate Foreign Relations Committee tomorrow; Congress has 60 days to reverse the President's action. LICENSED TO U

June 19—President Carter leaves on an 8-day, 5-nation visit to Europe; he will attend the economic summit meeting in Venice June 22-23. He arrives in Rome.

Defense Department sources report that President Carter has agreed to sell Jordan 100 advanced M-60 tanks..

June 22-In Venice, President Carter confers with French President Giscard; the President has already conferred with Italian Prime Minister Francesco Cossiga.

June 23—Governors of states on both sides of the Mexican-U.S. border end 2 days of talks in Juarez, Mexico, aimed at helping to solve the common problems of the 1,952mile border region.

President Carter meets with Britain's Prime Minister Margaret Thatcher and Canada's Prime Minister Pierre Elliott Trudeau.

June 24—In Belgrade, President Carter assures the new leadership of Yugoslavia of American support.

June 25—In Madrid, President Carter says that he hopes that Spain will become part of "the collective defense of the West" by joining NATO.

June 27—In Kuala Lumpur, Secretary of State Edmund S. Muskie meets with the foreign ministers of the Association of Southeast Asian Nations (ASEAN); he says that the U.S. will speed delivery on 35 tanks and other military equipment to Thailand.

### Labor and Industry

June 5—The Justice Department announces that its 3-year investigation of General Motors Corporation for possible tax violation has been dropped; no charges are brought against the company.

June 13—The Exxon Corporation reports finding natural gas in a well it is drilling in the Baltimore Canyon.

A U.S. district court jury awards \$600 million in damages to the MCI Communications Corporation in an antitrust suit against the American Telephone and Telegraph Company. Under the Sherman Antitrust Act, the court assesses triple damages, making AT&T liable for \$1.8 billion; AT&T will appeal.

June 24.—Federal, bank and Chrysler officials sign documents to permit the Chrysler Corporation to issue \$500 million in notes guaranteed by "the full faith and credit of the United States."

### Legislation

June 4—The House votes 367 to 30 and the Senate votes 73 to 16 to approve a resolution repealing the fee of \$4.62 a barrel on imported oil imposed by President Carter; the fee was to be passed on to the consumer as a 10-cents-agallon increase in gasoline prices.

June 5—President Carter vetoes legislation rejecting his oil import fee; the House overrides his veto 335 to 34.

June 6—The Senate overrides the President's veto of the oil import tax legislation by 68 to 10.

June 10—The House votes 308 to 97 to censure Representative Charles H. Wilson (D., Ca.) for violation of House rules on campaign funds and money gifts.

June 13—The House votes 205 to 195 and the Senate votes 61 to 26 to approve a compromise \$613.6-billion budget for 1981; the resolution also increases the 1980 budget ceiling to \$572.6 billion, with a projected deficit of \$47 billion.

June 19—With a 66-9 vote, the Senate confirms the nomination of Air Force General David C. Jones to a second term as chairman of the Joint Chiefs of Staff.

June 25—In a 234-168 vote, the House approves a measure requiring men born in 1960 and 1961 to register for a

ELECTRONIC REPRODUCTION PROHIBITED

possible draft; the Senate approved the measure 58 to 34 on June 12.

June 26—In a 317-93 vote, the House approves a bill to set up a synthetic fuels program expected to cost some \$20 billion; the Senate passed the bill by a 78-12 vote on June 19.

The Senate completes congressional action and sends to President Carter a bill raising the federal debt limit to \$925 billion and extending the limit to February 28, 1981. June 30—President Carter signs the synthetic fuels law.

President Carter signs the \$427-million Nuclear Regulatory Commission authorization bill, which also sets new and stricter safety standards.

### Military

June 3—Because a computer error in the North American Air Defense Command indicates the launching of a Soviet ICBM, the U.S. strategic nuclear forces are alerted; the error is perceived and corrected in 3 minutes when direct data from sensors indicate a computer error. In November, 1979, a similar error led to a false alert.

June 6—The U.S. early warning system again falsely indicates an alert.

June 17—Assistant Secretary of Defense Gerald P. Dinneen says that the failure of a small 46-cent chip in an integrated circuit of a computer in the North American Defense Command headquarters in Colorado caused the false alerts on June 3 and June 6.

### Political Scandal

June 13—As a result of the FBI Abscam operation, a federal grand jury indicts Representative John W. Jenrette, Jr. (D., S.C.), on bribery and conspiracy charges.

June 18—Representatives John M. Murphy (D., N.Y.) and Frank Thompson, Jr. (D., N.J.), are indicted on bribery and conspiracy charges by a federal grand jury in the FBI Abscam operation.

### **Politics**

June 3—Senator Edward Kennedy of Massachusetts wins Democratic presidential primaries in California, New Jersey, New Mexico, Rhode Island and South Dakota. Ronald Reagan wins the Republican presidential primaries in these states.

President Carter wins Democratic presidential primaries in Ohio, Montana and West Virginia; he now has 1,964 delegates, 298 more than he needs for the Democratic nomination. Ronald Reagan wins the Republican presidential primaries in these states and in Mississippi; he is assured of the Republican presidential nomination.

June 5—Kennedy meets with the President in the White House; subsequently, he says he remains a candidate for the Democratic presidential nomination.

### Supreme Court

June 2—In a unanimous decision, the Supreme Court rules that in order to bring charges against a seller, the Securities and Exchange Commission must only prove that a seller of securities was negligent in valuing the securities; no proof of fraudulent intent on the part of the seller is needed.

June 9—In a unanimous decision, the Court upholds the California Supreme Court ruling that states can require owners of private shopping malls to permit petitioners and peaceful assembly in the exercise of the rights of free speech if a state court finds such rights guaranteed in the state constitution.

June 16—In a 5-4 ruling, the Court upholds the granting of a patent to Ananda M. Chakrabarty for a new bacterium he developed in his laboratory that in effect "digests" oil spills into carbon dioxide and protein; the decision seems to open the way for patent protection in the genetic engineering field.

In a 6-3 decision, the Court upholds a U.S. district court ruling that, when police instructed a paid informer to report back incriminating statements made by a suspect in the same cellblock, the police were violating the suspect's constitutional right to legal counsel.

In a unanimous decision, the Court overrules a U.S. appeals court and says that farmers of any size farm in California's Imperial Valley may receive federally subsidized irrigation water; the lower court held that a 1902 law limited irrigation rights to farms no larger than 160 acres.

June 20—In a 7-2 decision, the Court rules that the New York State Public Service Commission cannot prevent a public utility from inserting statements of the utility's position on "controversial matters of public policy" into monthly bills.

In an 8-1 decision, the Court also rules that the New York State Public Service Commission cannot ban the advertising of utilities to promote electrical usage.

June 23—In a 6-3 decision, the Court rules that a federal court cannot "suppress otherwise admissible evidence on the ground that it was seized unlawfully from a third party not before the court." The case involves an investigation made by the Internal Revenue Service.

June 25—By a 6-3 ruling, the Supreme Court interprets the Civil Rights Act of 1871 to allow private citizens to bring lawsuits for injunctions or damages against state officials who are responsible for "the deprivation of any rights, privileges or immunities secured by the Constitution and laws" of the United States. Before this decision the term "laws" had been interpreted to mean only civil rights laws.

June 27—In a 5-4 decision, the Court upholds the U.S. Court of Appeals for the Fifth Circuit, ruling that the holder of a patented process is legally able to monopolize the sale of a non-patentable ingredient of the process.

In an 8-1 decision, the Court upholds the constitutionality of the Federal Water Pollution Control Act which requires polluters to report oil spills and imposes civil penalties on them.

June 30—In a 5-4 ruling, the Court upholds the constitutionality of the Hyde amendment to the 1976 federal budget, banning the use of federal funds for most abortions. U.S. District Court Judge John F. Dooling, Jr., ruled in January that the Hyde amendment violated the constitutional rights of poor women; thus Medicaid payments for abortions had been resumed.

In an 8-1 decision, the Court affirms a lower court ruling directing the government to pay \$105 million in interest to 8 tribes of Sioux Indians for the illegal government seizure of South Dakota's Black Hills in 1877. The government has not contested the \$17.5-million reimbursement for the value of the land but has contested the ruling that it had to pay interest that accrued for 103 years.

### **VATICAN**

June 30—Pope John Paul II leaves the Vatican for Brazil; this is his 7th foreign trip since he became Pope.

### YUGOSLAVIA

(See U.S., Foreign Policy)

### July, 1980

### INTERNATIONAL

### **Afghanistan Crisis**

July 9—It is reported in *The New York Times* that Soviet troops have completed a 3-day attack against Afghan guerrilla forces outside Kabul. On July 6, guerrillas attacked a Soviet military camp, provoking an intensive counterattack; hundreds of Afghanis are reported killed.

July 21—It is reported in New Delhi that President Babrak Karmal has purged the Khalq faction from the government

Afghan Minister of Education Anahita Ratebzad is shot and killed by terrorists in Kabul.

# International Bank for Reconstruction and Development (World Bank)

(See Mexico)

### Iran Crisis

July 10—In Teheran, Ayatollah Ruhollah Khomeini orders the release of one U.S. hostage, Richard I. Queen, who is ill.

July 18—Queen returns to the U.S.

July 27—In Cairo, in an Egyptian military hospital, the deposed Shah of Iran, Mohammed Riza Pahlevi, dies after a collapse of his circulatory system.

July 28—Speaker of Iran's Parliament Hashemi Rafsanjani says that because of the Shah's death Parliament will start discussion of the hostage issue next week.

July 29—In Cairo, funeral services are held for the Shah; former U.S. President Richard Nixon and Greek King Constantine are the only prominent foreigners attending the services.

### Middle East

July 15—Egyptian and Israeli negotiators end 3 days of talks in Cairo; they are unable to agree on an agenda for full-scale negotiations on Palestinian autonomy next month.

### Olympic Games

July 19—In Moscow, Soviet President Leonid Brezhnev opens the XXII Olympic Games. The U.S. and some 60 other countries are not participating because they are protesting the Soviet incursion in Afghanistan; 81 countries are taking part in the Games.

### Organization of African Unity (OAU)

July 1—In Freetown, Sierre Leone, the 17th annual summit meeting of the OAU convenes.

July 4—The 50-nation Organization of African Unity ends its annual conference; the group denounces the U.S. military base on Diego Garcia as "a threat to Africa and the concept of peace in the Indian Ocean" and demands that the island "be unconditionally returned" to Mauritius.

# Organization of Petroleum Exporting Countries (OPEC)

July 17—According to *Petroleum Intelligence Weekly*, Iran has reduced the price of its crude oil about 3 percent, about \$1 a barrel.

### Overseas Territories

### NEW HEBRIDES

July 4—The electoral college elects George Kalkoa as the

nation's first President when it becomes independent later this month.

July 29—France and Britain grant independence to New Hebrides; Reverend Walter Lini, an Anglican priest, is sworn in as Prime Minister. The island group becomes the nation of Vanautu.

### **United Nations**

(See also Iran)

July 14—In Copenhagen, the 2d world conference of the United Nations Decade for Women begins with about
 1,000 delegates from 118 countries.

July 22—The U.N. General Assembly opens an emergency session on the Palestinian problem.

July 23—Israeli Ambassador to the U.N. Yehuda Blum calls the special U.N. session on the Palestinian question illegal and says that Israel will not be bound by its resolutions.

July 24—Speaking for the 9 Common Market countries at the special U.N. General Assembly session, Gaston Thorn of Luxembourg warns that the Market will not support any resolution that does not recognize Israel's right to exist.

July 28—At an Arab League dinner in New York, U.N. Secretary General Kurt Waldheim says that he supports the Palestinian "right to self-determination, including statehood."

July 29—In a 112-7 vote (with 24 countries abstaining), the General Assembly calls again for the establishment of a Palestinian state.

July 30—The Security Council endorses Zimbabwe's application for U.N. membership.

July 31—The Copenhagen Conference on women ends in disagreement over the question of Palestinian women.

### **ARGENTINA**

July 10—Despite strong U.S. objections, the government agrees to sell the Soviet Union 22.5 million tons of feed grain over the next 5 years.

July 12—It is reported that Minister of the Economy José Alfredo Martinez de Hoz has announced new economic measures designed to finance government spending and to reduce taxes on some agricultural commodities.

### **BANGLADESH**

(See China)

### **BOLIVIA**

July 11—Final results from the June 29 presidential election give Hernán Siles Zuazo of the Popular Democratic Unity party 38.7 percent of the vote; Victor Paz Estenssoro of the National Revolutionary Movement wins 20.1 percent and General Hugo Banzer Suarez of the Democratic Nationalist Alliance wins 16.8 percent. Because no candidate won 50 percent of the vote, Congress will elect the President in August.

July 17—In La Paz, the armed forces take control of the government; in a statement issued after the takeover, the rebels claim they acted to prevent a "Communist assault in Bolivia"; it was expected that former President Siles Zuazo, a leftist, would be elected President by the

Congress.

July 18—Army commander and leader of the coup General Luis Garcia Meza is sworn in as President; he heads a 3member military junta, the Government of National Reconstruction. To protest the coup, the U.S. government suspends \$8-million worth of military aid.

July 25—In Washington, D.C., U.S. Secretary of State Edmund S. Muskie announces the withdrawal of U.S. military personnel from Bolivia and the cancellation of U.S. economic aid projects; he also orders the U.S. embassy in La Paz to reduce its staff substantially.

July 27—In Santa Ana, a strike by miners continues into its 10th day.

### **BOTSWANA**

July 13—President Seretse Khama dies of cancer. Vice President Quett Masire becomes Acting President.

### **BRAZIL**

July 11—Pope John Paul II concludes a 12-day visit to-13 Brazilian cities and returns to the Vatican.

### **BURMA**

July 29—Exiled political leader U Nu returns to Burma after 11 years in exile.

### **CAMBODIA**

(See also India)

July 26—In Phnom Penh, the Foreign Ministry formally accuses Thailand of violating Cambodian territory and warns Thailand that it "must assume full responsibility for all consequences that might flow from its actions." The government charges that Thai planes and helicopters flew 49 reconnaissance missions into Cambodian airspace on July 20 and 23.

### CANADA

July 25—In Ottawa, Prime Minister Pierre Elliott Trudeau and Alberta premier Peter Lougheed break off talks on energy policy; they disagree about the administration and the distribution of Alberta's oil and gas profits.

### CHILE

July 15—In Santiago, Lieutenant Colonel Roger Vergara Campos, director of the army intelligence school, and his driver are assassinated by terrorists.

### **CHINA**

(See also Japan, U.S., Foreign Policy)

July 20—The New China News Agency reports that a Soviet citizen, Nikolai Petrovich Zhang, has been sentenced to 7 years in prison for spying for the Soviet Union; Zhang was arrested in 1974.

July 21—In Beijing, Bangladesh President Ziaur Rahman arrives for a 4-day state visit.

### CUBA

July 14—In Las Palmas, Canary Islands, Cuban consul Jesus Fernandez Ponce accuses the Moroccan Air Force of strafing 2 Cuban ships off the coast of West Africa on July 12; the captain of one Cuban ship was killed and 3 crewmen were injured in the attack.

### **DOMINICA**

July 23—Freedom party leader Mary Eugenia Charles becomes the nation's first woman Prime Minister; her party won a landslide victory in the recent parliamentary elections.

### **EGYPT**

(See Intl, Iran Crisis, Middle East)

### **EL SALVADOR**

July 14—Government officials report that in the last few days 68 people have been killed in political violence; 31 of the victims were leftists.

### **ETHIOPIA**

July 12—According to a report broadcast over the official radio, 4 military men have been sentenced to death by a military court for conspiring with the U.S. Central Intelligence Agency to overthrow the government of Lieutenant Colonel Haile Mariam.

### **FRANCE**

(See also Iran; Syria)

July 7—In Bonn, President Valéry Giscard d'Estaing confers with German Chancellor Helmut Schmidt; Giscard is the first French leader to visit West Germany in 18 years.

### **GERMANY, WEST**

(See also France)

July 2—Foreign Minister Hans-Dietrich Genscher flies to Washington, D.C., to report to U.S. officials on Chancellor Helmut Schmidt's recent meeting with Soviet President Leonid Brezhnev in Moscow. Genscher reports that the Soviet Union is no longer demanding that NATO drop its plan to deploy medium-range missiles in Europe before arms control talks can begin.

### **INDIA**

July 2—In an address to Parliament, Prime Minister Indira Gandhi says the government has refused a Soviet offer to provide India with a nuclear power station.

July 7—Foreign Minister P.V. Narasimha Rao announces the establishment of diplomatic relations with Cambodia.

July 23—Minister of Industry Charanjit Chanana tells Parliament that state-owned industries will be revamped to make them more efficient and that private industry will be permitted greater leeway in order to increase and improve production.

July 26—Prime Minister Gandhi promises to relax restrictions in Assam province; she agrees to resume nego-

tiations on the immigration issue there.

### IRAN

(See also Intl, Iran Crisis; U.S., Labor and Industry)

July 4—In Teheran, hundreds of thousands of people join in demonstrations in support of the Islamic Republic; they demand dissolution of the left-wing movements.

July 5—In Teheran, 2,000 women march to protest the Islamic dress code that requires them to wear the chador (veil)

July 7—Tass, the Soviet press agency, reports that its government has warned Iranian authorities that the Soviet embassy in Teheran may be taken by "hostile elements."

July 10—President Abolhassan Bani-Sadr and other officials report on national television that the government has squashed a plot by air force officers to overthrow the government; 17 officers are arrested and put on trial.

July 14—26 people are executed, the majority for narcotics and sex offenses; one of the victims, Lieutenant General Hushang Hatam, was deputy chief of staff under the Shah.

July 15—Teheran radio reports that the country's borders and airspace will be closed for 48 hours to facilitate the

arrest of those involved in the attempted coup.

- July 17—Abbas-Qoli Bakhtiar, Commerce and Industry Minister in the government of Shahpur Bakhtiar, and Samsam Bakhtiar, a former diplomat, are arrested for their role in the attempted coup; both men are cousins of former Prime Minister Bakhtiar, who is accused of engineering the coup.
- July 18—In Paris, gunmen attempt to assassinate former Prime Minister Bakhtiar; Bakhtiar escapes uninjured but two people are killed and four are wounded. 3 gunmen are captured.
- July 20—Parliament elects Ayatollah Hashemi Rafsanjani as speaker; Hashemi is a member of the Islamic Republican party. Parliament assumes its legislative functions.
- July 22—Abolhassan Bani-Sadr is sworn in as President before the new Parliament.
  - In Washington, D.C., Ali Akbar Tabatabai, a press attaché to the Iranian embassy during the Shah's rule, is shot and killed by a man dressed as a mailman.
- July 23— It is reported that on July 15, Iranian delegate to the U.N. Mansour Farhang resigned his post and returned to Iran.
- July 26—Bani-Sadr names national police chief Mostafa Mir-Salim as Prime Minister. Parliament must approve the nomination.
- July 31—10 military officials and 1 civilian are executed for their role in the attempted coup.

### **IRELAND**

July 27—In Dublin, Prime Minister Charles J. Haughey charges that a U.S.-based organization, Noraid, is supporting the outlawed Provisional Irish Republican Army.

### **ISRAEL**

(See also Intl, Middle East, U.N.)

- July 1—In Jerusalem, doctors report that Prime Minister Menachem Begin will be hospitalized for 2 or 3 weeks following a heart attack yesterday.
- July 24—In Ramael Prison near Tel Aviv, a 2nd Palestinian prisoner dies while being force-fed during a hunger strike.
- July 30—In a 69-15 vote, Parliament passes a bill that affirms Jerusalem as the official capital of Israel. The U.S. and other nations do not recognize Israel's 1967 annexation of the eastern Arab sector of the city; nonetheless, Begin plans to move his office to East Jerusalem.

### ITALY

July 27—Following a 4-day debate on charges that Prime Minister Francesco Cossiga helped a friend's son avoid arrest as a terrorist, Parliament exonerates Cossiga and moves to dismiss the charges against him.

### **JAMAICA**

July 4—Following a report in a U.S. magazine that members of the U.S. embassy staff in Kingston were members of the U.S. Central Intelligence Agency, terrorists fire on the home of N. Richard Kinsman, identified as chief of station of the CIA; no one is injured.

### **JAPAN**

- July 9—In Tokyo, a memorial service is held for the late Prime Minister Masayoshi Ohira; among those attending the service are Chinese Prime Minister Hua Guofeng and U.S. President Jimmy Carter.
- July 17-Parliament elects Zenko Suzuki as Prime Min-

- ister; Suzuki names his Cabinet, comprised primarily of men who were supporters of the late Prime Minister Ohira
- July 28—Finance Minister Michio Watanabe and Director of Defense Joji Omura approve a measure to increase military spending for fiscal year 1982 by 9.7 percent.

### **JORDAN**

July 3—Prime Minister Abdul Hamid Sharaf dies of a heart attack; King Hussein asks Kassem al-Rimawi, Minister of Agriculture, to head the government.

### KOREA, SOUTH

- July 9—The National Security Measures Committee announces that 232 government officials, including the recently resigned Minister of Commerce and Industry Chung Jai Suk, have been dismissed because of corrupt or incompetent behavior in office.
- July 14—General Yu Hak Song is named to head the Korean Central Intelligence Agency; he replaces General Chon Too Hwan, who will remain as head of the Defense Security Command.
- July 15—4,760 more government officials are dismissed from their jobs in a purging of government bureaucracy. July 31—The government bans 172 magazines, including 11 campus newspapers.

### **LAOS**

(See Thailand)

### **LEBANON**

- July 7—In Beirut, heavy fighting breaks out between rightwing Christian Phalangists headed by Pierre Gemayel and the rightist forces of former President Camille Chamoun.
- July 9—In Beirut, Iraqi diplomat Ibrahim Khazaal is shot and killed by terrorists near the Lebanese University.
- July 10—A spokesman for the Phalangists says that the Christian factions will be united in a single party, the Maronite Catholic military force, and will "liberate" the country from Palestinian occupation.
- July 16—President Elias Sarkis accepts the resignation of Prime Minister Selim al-Hoss and his Cabinet.
- July 20—President Sarkis asks Takieddin Solh to form a new government.
- July 27—Heavy fighting breaks out at the funeral service for Riad Taha, president of the press agency, who was assassinated by terrorists on July 23; senior government officials attending the service take cover; 14 people are killed
- July 28—In Beirut, Musa Shaib, a leader of the pro-Iraq Baath party, is assassinated; fighting erupts between Baath party members and Shiite Muslim militiamen.

### LIRVA

(See U.S., Foreign Policy)

### **MEXICO**

July 10—In Washington, D.C., the World Bank grants Mexico a loan of \$325 million, the largest loan ever made by the bank.

### **MOROCCO**

(See also Cuba)

July 22—King Hassan II orders the release of all political prisoners and permits political exiles to return home. To date, 85 people have been released; it is expected that between 150 and 200 prisoners will be set free.

### NAMIBIA (SOUTH-WEST AFRICA)

July 10—The Council of Ministers headed by Dirk Mudge of the Democratic Turnhalle Alliance assumes decisionmaking powers.

### **NICARAGUA**

July 19—About 100,000 people attend celebrations marking the 1st anniversary of the Sandinist victory over the government of Anastasio Somoza Debayle; delegates from 30 countries, including the U.S. and Cuba, attend the celebration.

### **NIGERIA**

July 20—U.S. Vice President Walter Mondale arrives in Lagos for a state visit.

### **PERU**

July 28—In Lima, Rosalynn Carter, the wife of U.S. President Jimmy Carter, attends the inaugural ceremonies for President-elect Fernando Belaunde Terry.

July 29—Minister of the Economy Manuel Ulloa announces an increase in the minimum wage, the removal of price controls on staples, and an end to government subsidies on public utilities and government-owned oil companies.

### **PHILIPPINES**

July 29—In the largest demonstration in 8 years in Manila, nearly 10,000 university students march to protest the government's Education Act of 1980, which would curtail academic freedom.

### **POLAND**

July 3—For the second day, work stoppages occur in factories across the country as workers protest unannounced increases in meat prices.

July 4—Workers return to their factories when the government promises to increase wages.

July 24—Despite permission to increase wages by up to 15 percent, workers continue to strike sporadically for wage increases of 20 percent.

### SAUDI ARABIA

July 28—In Jidda, Douglas Hurd of the British Foreign Office announces that diplomatic relations will be resumed between Britain and Saudi Arabia; 3 months ago the nations' ambassadors were recalled when a film, Death of a Princess, was aired on British television despite Saudi protests.

### SENEGAL

July 17—U.S. Vice President Walter Mondale arrives on a state visit.

### SOUTH AFRICA

July 8—Following a verbal attack on South Africa by Zimbabwe Prime Minister Robert Mugabe at the Organization of African Unity meeting in Sierra Leone, South Africa recalls its diplomatic mission from Salisbury.

July 29—In Johannesburg, 4,500 black municipal workers go on strike for the 2d day to protest low wages.

### SYRIA

July 3—Following an assassination attempt on President Hafez al-Assad last week, the government begins a major crackdown on the Muslim Brotherhood.

July 21—In Paris, former Prime Minister Salah el Bitar is assassinated in his office.

### **THAILAND**

(See also Cambodia)

July 2—In Washington, D.C., U.S. President Jimmy Carter announces that the U.S. will provide Thailand with \$3.5-million worth of military equipment.

July 5—The U.S. airlift of military equipment, including howitzers and assault rifles, begins; the aid is designed to strengthen Thai forces along the Cambodian-Thai border.

July 23—In Bangkok, talks between Laotian and Thai representatives are broken off; the talks were held to discuss the closing of the Thai border with Laos last month, after Laotian troops fired on a Thai Navy patrol boat on the Mekong River.

### **TURKEY**

July 2—The government of Prime Minister Suleyman Demirel survives a no-confidence vote, 227 to 214.

July 4—In Corum, 2 army battalions arrive to help put down fighting between leftists and rightists; 18 people are killed.

July 19—Near Istanbul, former Prime Minister Nihat Erim is assassinated by unidentified gunmen; Nihat's bodyguard is also shot and killed.

July 21—In Ankara, Interior Minister Mustafa Gulcigil resigns after criticism of the growing terrorism.

July 22—In Istanbul, Kemal Turkler, leader of the Metalworkers' Union, is assassinated.

July 31—In Athens, Turkish attaché Galip Ozmen and his daughter are killed by terrorists who claim to belong to the Armenian Secret Army for the Liberation of Armenia.

### U.S.S.R.

(See also Intl, Afghanistan Crisis, Olympic Games; Argentina; China; India; Iran; West Germany)

July 20—Tatyana Mamonova, founder of a publication called *Women and Russia*, is expelled because of her criticism of Soviet society. She and her family go to Vienna.

The Olympic Games begin in Moscow.

July 28—In Moscow, a crowd estimated at between 10,000 and 30,000 people assemble for the funeral service of Vladimir Vysotsky, a balladeer and actor, who died of a heart attack; police disperse the crowd.

### UNITED KINGDOM

### **Great Britain**

(See also Saudi Arabia)

July 14—In Washington, D.C., U.S. President Jimmy Carter informs Prime Minister Margaret Thatcher that the U.S. will sell Britain Trident I missiles, equipment and nuclear-powered submarines.

July 22—The government reports the July unemployment figure at 1.9 million, 7.8 percent of the work force, the highest since the 1930's.

July 29—The government survives a no-confidence vote by 333 to 274; the Labor party introduced the bill to protest soaring unemployment.

Chairman of the government-owned British Steel Corporation Ian MacGregor announces company losses of a record \$1.3 billion for the fiscal year ending March 29.

### **UNITED STATES**

### **Administration**

July 3-President Jimmy Carter nominates Texan Matias

- W. Garcia as commissioner of the Immigration and Naturalization Service replacing Leonel P. Castillo, who resigned last fall.
- July 6—Energy Secretary Charles W. Duncan says that U.S. imports of crude oil dropped by 25 percent in June.
- July 9—President Jimmy Carter appoints nuclear engineer Albert Carnesale as chairman of the Nuclear Regulatory Commission to replace interim chairman John F. Ahearne.
- July 11—Metropolitan Edison Company reports that the venting of krypton from the damaged Three Mile Island nuclear reactor has been completed.
- July 15—President Carter directs the Community Services Administration to make \$6.725 million available to low-income people in the 16-state "heat belt" in the Midwest and Southwest to alleviate some of the effects of the 3 weeks or more of temperatures of 100°F, partly responsible for 679 deaths.
- July 16—Washington sources report that as part of a Justice Department investigation into unauthorized disclosure of classified national security information to the press, President Carter asked his senior aides to sign sworn statements of innocence, the 1st time a President ever asked for such affidavits from senior aides.
- July 21—Director of the Office of Management and Budget 
  James T. McIntyre says that the administration is anticipating a \$60.9-billion budget deficit for fiscal 1980, \$24.4 
  billion more than originally calculated; McIntyre also says that instead of a surplus in fiscal 1981, as expected, the deficit is projected at \$29.8 billion.
- July 22—The Federal Communications Commission eliminates 2 regulations that limited the programs offered to viewers by the cable television industry; this decision almost completely deregulates the cable television industry.

### Civil Rights

- July 2—In Miami, U.S. district court Judge James L. King rules that the Immigration and Naturalization Service has violated "the constitutional rights" of Haitian refugees who came to the U.S. for asylum; he orders the service to take no further action against the Haitians until the government has presented a plan that eliminates "wholesale violations of due process."
- July 15—Racial violence breaks out again in the Liberty City area of Miami; 23 people are injured.
- July 18—After the alerting of the National Guard and the imposition of a curfew in the Liberty City area last night, calm returns to the city; 59 persons have been arrested and 40 have been injured in the new wave of civil disturbances.
- July 21—In Houston, U.S. district court Judge Woodrow Seals rules that a Texas law that bars illegal alien children from attending public schools or charges them high tuitions is unconstitutional.
- July 26—After 3 days of racial violence, Chattanooga Mayor Charles Rose meets with leaders from the black public housing communities to hear their grievances.

### **Economy**

- July 3—The Federal Reserve Board announces that it is removing the last of the credit restrictions imposed in March to fight inflation.
- July 18—The Commerce Department reports that the gross national product (GNP) declined at a yearly rate of 9.1 percent in the 2d quarter of 1980.
- July 24—Chase Manhattan Bank and Chemical Bank

- lower their prime rate to 10.75 percent.
- July 25—The Federal Reserve Board cuts its discount rate to 10 percent, effective July 28.
- July 28—President Carter orders increases in federal price support loan rates to help grain farmers; it is estimated that federal outlays will rise about \$1 billion in fiscal years 1980 and 1981.
- July 29—The Commerce Department reports that the U.S. trade deficit declined to \$2.28 billion in June.
- July 30—The Commerce Department reports that the index of leading economic indicators rose 2.5 percent in June, the sharpest monthly increase since June, 1975, and the 1st significant gain in over a year.

### Foreign Policy

(See also Intl, Iran Crisis; Bolivia; Jamaica; Peru: Thailand)

- July 9—In Tokyo, President Jimmy Carter attends the memorial service for Japanese Prime Minister Masayoshi Ohira, who died of a heart attack on June 12.
- July 10—The White House announces that Vice President Walter Mondale will leave for Africa on July 17 to visit Nigeria, Senegal, Niger and Cape Verde; he will return July 23.
  - In Tokyo, President Carter confers with Chinese Prime Minister Hua Guofeng.
- July 14—Billy Carter, brother of President Jimmy Carter, registers with the Justice Department as an agent of the Libyan government; he has been paid some \$220,000 for promoting a propaganda campaign favorable to Libyan interests; the civil consent decree under which he registers ends an 18-month investigation into his activities by the Justice Department.
- July 16—The White House reports that President Carter has ordered 1,800 Marines and 5 ships to the Indian Ocean area to strengthen the U.S. presence there.
- July 22—In a 2-page statement, the White House discloses that last November 27, at the request of national security adviser Zbigniew Brzezinski, Billy Carter met with Brzezinski and Ali el-Houdari, a representative of the Libyan government, at the White House to "explore the possibility of seeking Libyan government support in urging the release of the American hostages in Iran."
- July 24—At the White House, presidential news secretary Jody Powell says that Rosalynn Carter telephoned Billy Carter last November to ask his help in arranging a meeting between Brzezinski and Libyan officials to discuss the hostage crisis.

Without dissent, the Senate creates a special 9-member panel to investigate Billy Carter's relations with the Libyan government; an interim report is to be made to the Senate by October 4. President Carter says he will instruct all members of the White House staff to cooperate fully with the investigation.

- U.S. special trade representative Reubin O. Askew announces that the U.S. and China have reached an agreement that will permit increased shipments of Chinese textiles to the U.S. through December 31, 1982.
- July 25—Attorney General Benjamin R. Civiletti issues a statement saying that he had a "brief informal exchange" about Billy Carter with President Carter at the White House on June 17; Civiletti previously denied discussing with the President the Justice Department investigation of Billy Carter.
- July 29—In a brief statement to the press, President Carter says he is "eager to respond in person" to questions from the Senate committee that is investigating Billy Carter's links with Libya.

July 30—The White House issues a statement from President Carter in which the President reveals that he discussed with his brother low-classified State Department cables on Billy Carter's trip to Libya.

July 31—Presidential press secretary Jody Powell makes public 7 State Department cables that concern Billy

Carter's 1978 Libyan trip.

Billy Carter insists that he has no copies of the State Department cables and that President Jimmy Carter never showed him "anything."

President Carter signs a \$1.4-billion accord to build in West Virginia the world's 1st commercial-size facility to produce oil from coal; the U.S., West German and Japanese governments and Japanese, West German and U.S. corporations will share in the financing.

### Labor and Industry

July 8—In a trip to Detroit, President Jimmy Carter meets with city and auto industry officials and announces a series of proposals to aid the auto industry, including the easing of emission and safety standards, tax benefits, and speedy action by the U.S. International Trade Commission to help lessen foreign auto competition.

July 10—In Washington, D.C., U.S. district court Judge George L. Hart rules that Iran must pay compensation to 3 American insurance companies out of Iranian assets frozen in this country to cover losses caused by nationalization of the insurance industry in Iran last year.

- July 17—The Justice and Energy Departments issue reports that conclude that the 1979 gas shortage was caused by the cutoff of Iranian oil, production problems and federal regulations, and was not the fault of the oil companies.
- July 24—In U.S. district court in New York, the Bethlehem Steel Corporation pleads guilty to the paying of more than \$400,000 in bribes to American and foreign shipowners to persuade them to use its shipbuilding and repair arm.

The General Motors Corporation reports a \$412-million loss for the 2d quarter of 1980; in the same period of 1979 the company reported a \$1.18-billion profit.

July 29—A record \$468-million loss for the 2d quarter is reported by the Ford Motor Company.

Gulf Oil Corporation, Standard Oil and Atlantic Richfield report cuts of between \$1 and \$1.50 a barrel in the price of crude oil.

July 31—The largest quarterly loss ever reported by an American automobile manufacturer, \$536.1 million, is reported by the Chrysler Corporation for the 2d quarter of 1980.

### Legislation

- July 1—President Carter signs legislation that cuts back government regulation of the trucking industry; the bill affects some 17,000 interstate trucking firms and opens the industry to more competition; Congress passed the bill on June 19.
- July 24—President Jimmy Carter signs the Central Idaho Wilderness Act, adding 2.3 million acres to the nation's wilderness preserves.
- July 31—President Jimmy Carter signs a bill establishing an 18-member commission to investigate the "injustice" to the 120,000 Japanese-Americans when they were placed in detention in 1942 during World War II.

### Military

July 2—Acting under the Military Selective Service Act,

President Jimmy Carter signs a proclamation ordering some 4 million men born in 1960 and 1961 to register for possible military conscription.

July 18—A 3-judge U.S. district court in Philadelphia rules the Military Selective Service act unconstitutional because it excludes women from the draft; in effect, the registration of men for military service is enjoined.

July 19—Associate Supreme Court Justice William F. Brennan stays the July 18 order of the 3-judge panel; draft registration will begin as scheduled on July 21.

July 31—Selective Service Director Bernard D. Rostker says that those who fail to register for the draft will face legal penalties.

### **Political Scandal**

July 15—In Washington, D.C., a U.S. grand jury indicts Representative Richard Kelly (R., Fla.) on bribery and conspiracy charges as a result of the Abscam investigation.

### **Politics**

July 1—Representative John B. Anderson (R., Ill.) formally announces his candidacy for the presidency as an Independent.

July 14—In Detroit, the 32d Republican National Convention begins.

July 16—Former California Governor Ronald Reagan is selected as the Republican candidate for the presidency.

July 17—Reagan selects Texan George Bush as his vice presidential candidate; both men accept the nominations.

July 31—Reagan makes public his 1979 federal income tax return; he and his wife paid \$230,886 in taxes on an adjusted gross income of \$515,878.

In Washington, D.C., in a joint press conference with Senator Edward M. Kennedy (D., Mass.), Anderson says he will reconsider his candidacy if President Carter is not renominated by the Democratic party.

### **Supreme Court**

July 2—In a 6-3 ruling, the Supreme Court upholds lower court rulings that in a federal public works program Congress may reserve 10 percent of the funds for minority contractors.

Ruling 7 to 1, the Supreme Court reverses a lower court and says that the First Amendment to the Constitution "clearly gives the press and the public a right of access to trials themselves, civil as well as criminal."

The Supreme Court ends its session after ruling on 136 cases

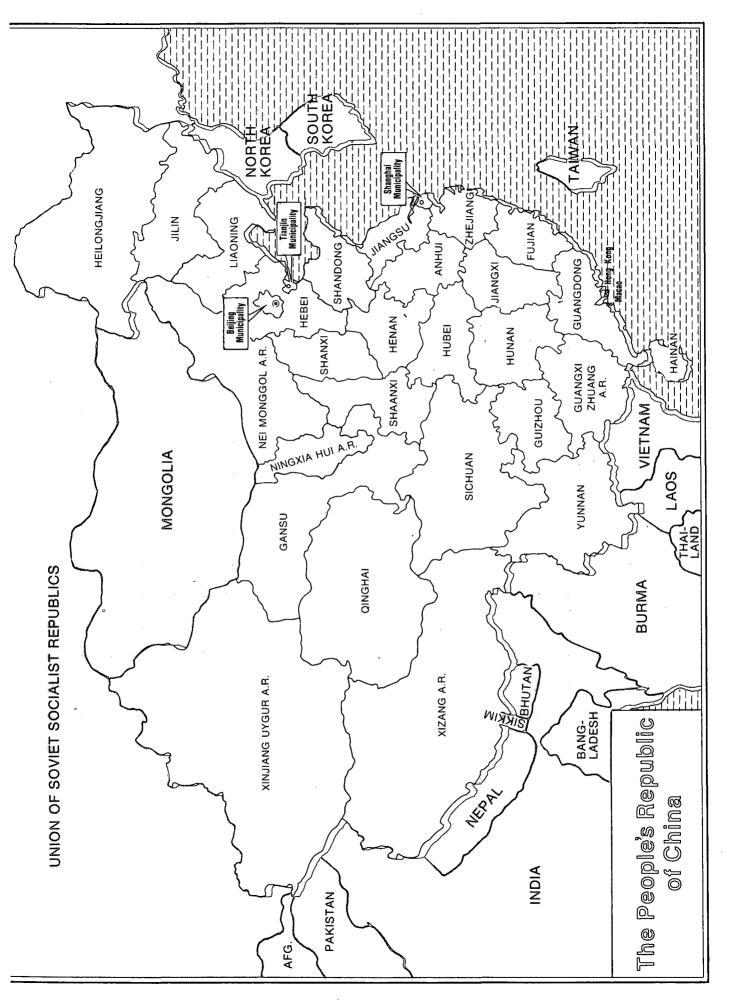
### VATICAN

(See Brazil)

### ZIMBABWE

(See also Intl, U.N.; South Africa)

- July 1—A minimum wage bill goes into effect; the minimum wage is set at \$45 per month for domestic help and \$105 a month for industrial workers.
- July 5—Prime Minister Robert Mugabe announces that his government has broken diplomatic relations with South Africa; the 2 countries will continue to trade.
- July 17—General Peter Walls, the white military commander, submits his resignation, effective at the end of the month.
- July 23—Parliament votes to impose emergency regulations for 6 months to give the police more power to put down "dissident" guerrillas.



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# Current History

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How has the Soviet intervention in Afghanistan changed the American perception of the Soviet Union? In this issue, eight articles explore shifting Soviet foreign policies and economic and political conditions inside the Soviet Union. As our introductory article points out, "In the United States, the dawning acceptance of the Soviet ability to inflict mortal damage has combined with an awareness that the era of unquestioned United States supremacy has passed and has led to a sometimes irrational extrapolation of Soviet power."

# The Changing American-Soviet Power Balance

BY C. G. JACOBSEN

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 $\Gamma$  was to be expected that the Soviet Union's emergence in the 1970's as a truly global superpower would lead to a difficult period of adjustment. The emergence of the Union of Soviet Socialist Republics as a power able to intervene effectively in distant arenas altered established rules of the game. Throughout history, whenever a new power has emerged and asserted itself, new limits and new rules evolve. Never an easy process either for the old established actors or the new aspirant, it is a process encapsulated today in "the Afghanistan crisis." That the flashpoint should be provided by an area not on the fringes but in the challenger's back yard provides an ironic footnote to the vagaries of politics. The danger lies in the fact that this is a more dangerous world, teetering on the edge of rapid nuclear proliferation, north-south tension and tattered development prospects, in which a return to cold war antagonisms is not likely to be conducive to the amicable settlement of disputes.

East-West attitudes have clearly polarized. The 1970's was ushered in on the crest of détente, perceptions of domestic prosperity and relative world harmony (the still lingering Vietnam war and other lesser conflagrations were seen as persistent irritants of little lasting import). The 1980's, however, opened with Soviet troops entrenched in Afghanistan, talk of Sino-American support for anti-Soviet guerrillas, a world energy crisis, recession, increased arms budgets and international frigidity.

The change was all the more dramatic because it

was sudden, or was seen as sudden. The spring of 1979 had seen the signing of the second Soviet-American Strategic Arms Limitation Treaty (SALT) and renewed talk of Soviet-American cooperation. The change in climate appeared not only startling but also incongruous. Many observers argued that the Soviet resort to force in Afghanistan, the immediately precipitating event, was only a reflection of the nasty yet persistent tendency of great powers to ignore the niceties of international law whenever "national interests" were involved. China's short-lived invasion of Vietnam in early 1979 involved the deployment of a far larger force, and perhaps greater ferocity and brutality (if one accepts reports of chemical-biological warfare, reports that appear better substantiated in the Chinese than in the Soviet case). French and Moroccan paratroopers toppled two African governments during the second half of 1979 and "stabilized" others. The United States did not use large-scale military force after President Richard Nixon's invasion of Cambodia, but it was open to charges that it had built a rich tradition before that event (and one is forced to note that this tradition also included a proclivity toward chemical-biological warfare: Agent Orange, used extensively throughout Indochina, contained dioxin, a substance calculated to be 100,000 times more potent than thalidomide).

Events in Afghanistan were furthermore discouragingly typical because they mirrored an outside power's decision that further commitment was required to protect established interests from perceived jeopardy (Moscow's "presence" in northern Afghanistan had long roots; Britain's first invasion of the country in 1838 was designed precisely to check Russian influence). Although proclaiming himself a Soviet ally and a Marxist, Afghan President H. Amin

<sup>&#</sup>x27;See this author's commentary, "Afghanistan: Ice and Fire," in *The Bulletin for the Atomic Scientists*, March, 1980; for more detailed and further-ranging analysis, see Chapter 5 of this author's *Sino-Soviet Relations Since Mao: The Chairman's Legacy* (New York: Praeger, January, 1981).

had ousted Soviet-supported party members with ties to the clergy and other traditional sectors of Afghan society; he had expelled Soviet advisers of caution; and he remained uncompromising in spite of alienation that generated rebel support in perhaps 90 percent of the country. In view of allegations of Chinese and American support for rebel aspirations (and potentially for Amin), the brutal realpolitik of traditional Russian perception left little leeway to opponents of action—especially once attempts at a more "discreet" coup failed.<sup>2</sup> To the Russian psyche, one China and one Ayatollah facing Muslim Central Asia were quite enough.

But as the first SALT treaty of 1972 had come to symbolize the gradual flowering of détente that had preceded it, so the Afghanistan crisis took on symbolic meaning far beyond its content. It capped and symbolized the unraveling of détente aspirations. The possible disincentives to intervention had already fallen prey to the anti-Soviet mood of American domestic politics. North Atlantic Treaty Organization (NATO) arms budgets had already been increased. Senate ratification of the 1979 SALT accord looked less and less likely. Hopes that Congress might yet ratify the trade agreement with the Soviet Union signed by President Nixon in 1972 were dashed by the announcement that China's application for Most Favored Nation (MFN) treatment would be decoupled from that of Moscow, and that China's would be granted (never mind that Beijing's human rights record appeared even more suspect than Moscow's). American high technology sales to the Soviet Union were increasingly subject to administration embargoes. Soviet dissidents continued to find disproportionate fame on American lecture podiums, in American media. Andrew Young, the administration's most prominent proponent of the thesis that all the world's ills might not be caused by Moscow, but might sometimes owe something to local antagonisms, underdevelopment or other forms of exploitation, resigned his ambassadorship to the United Nations. In early 1979, Washington sent its first ambassador to Beijing while invading Chinese troops remained on the soil of Moscow's closest Asian ally; the end of the year saw preparation for the first visit to China of an

American Secretary of Defense, amid "leaks" of military-technological aid and defense policy coordination. President Jimmy Carter seemed increasingly disinclined to accept the advice of the State Department and its Soviet specialists, choosing instead to rely on his National Security Adviser, Zbigniew Brzezinski, a man whose views on occasion echoed the anti-Russian antipathies of his Polish ancestors.<sup>3</sup>

Of course, Washington did not cause the Afghan crisis. The "need" to invade Afghanistan was a function of the Soviet Union's rather paranoid concept of security and of internal Afghan events (these would probably have dictated a similar denouement even had the Shah remained on his Peacock Throne). Nor could Western condemnation deter further Soviet advance. The last thing Moscow wants is to send the Red Army into Pakistan; the Soviet aim was much better served by American support for President Zia ul-Haq's unrepresentative dictatorship, which ensured that political and ethnic opposition to his regime would acquire an anti-American hue. A future Pakistan, united or splintered into ethnic regions, held definite promise for Moscow. And even if such promise should be dashed, Moscow would be more likely to encourage Indian intervention.

The most disturbing fact about the crisis was the fact that United States anti-Sovietism had been built on a solid foundation of perceived Soviet perfidy, while Soviet anti-American phobia rested on an equally convincing accumulation of perceived American villainy. The role played by misperception, real or feigned, was illustrated by the debate over the mobile multi-warhead intermediate-range SS20 missiles that Moscow began deploying in the European Soviet Union (and in the Far East) during the late 1970's. To Moscow, the SS20 finally redressed the imbalance caused by the potency of America's Forward Based Systems (FBS) of carrier and land-based aircraft with the range and sophistication necessary to reach Soviet targets. Previous Soviet intermediate-range missiles had been both less accurate and more vulnerable (to hostile "take-out") than American systems. In an atmosphere of mutual suspicion, however, it was perhaps inevitable that NATO would ignore the fact that the SS20 did not negate continued FBS efficacy and would focus instead on the indisputable point that SS20 accuracy and survivability entailed a greater threat to NATO territory than had previously existed. Hence the phenomenon of NATO defense budget increases amid Soviet protestations that these (and not the SS20) constituted the beginnings of a new arms race. Paranoia breeds paranoia; distrust finds its own motivating and indeed reinforcing rationale. As a Zhdanov (Joseph Stalin's right-hand man during the late 1940's) justifies and necessitates a Senator Joseph McCarthy (of committee for un-American activities fame), so a McCarthy justifies

<sup>&</sup>lt;sup>2</sup>The Manchester Guardian, Washington Post, Le Monde Weekly, February 24, 1980, quote U.S. Senate Select Committee on Intelligence sources (its chairman, Senator Birch Bayh of Indiana) as indicating that U.S. military support for Afghan rebels predated the Soviet intervention. See article "C.I.A. Said to Supply Arms to Afghan Rebels." Time, February 25, 1980, further suggests that "Chinese arms aid to the Muslim rebels significantly increased after Vice Premier Deng Xiaoping's visit to Washington in January, 1979." Note also Pravda, August 26, 1979.

<sup>&</sup>lt;sup>3</sup>See George Kennan, "Was This Really Mature Statesmanship?" The New York Times, February 1, 1980; see also his commentary in The Bulletin of the Atomic Scientists, April, 1980.

and necessitates Soviet demagoguery. As Soviet intervention in Afghanistan provided the clinching argument to allow American hardliners to rally majority support, so the events preceding it had allowed Soviet hardliners to gain dominance in their policy councils. "Moderates" like President Carter and Soviet President Leonid Brezhnev embraced the rhetoric of inflexibility.

Thus President Carter announced an extensive wheat, high technology and trade embargo, canceled scientific and cultural exchanges, formalized the suspension of the SALT ratification process, called for a boycott of the 1980 Summer Olympics in Moscow, and set forth a "Carter Doctrine" that committed Washington to use military force if necessary to protect its "vital interests" in the Persian Gulf. The doctrine epitomized the assertiveness of Washington's new posture. It was not, like NATO, a response to friendly governments who perceived a threat, offered bases and asked for alliance. It was a unilateral promulgation assuming a right. No country in the region had yet extended base rights, no country had requested formal alliance (although at least in some cases this reflected the corrosive effect of continued United States support for Israel's occupation of conquered Arab lands rather than empathy for Moscow).

The doctrine's vagueness with regard to the exact extent of its applicability and the military specifics of its commitment may have been caused by its unilateral nature. Of NATO governments, only those of British Prime Minister Margaret Thatcher and soonto-be-defeated Canadian Prime Minister Joe Clark embraced the American stand unreservedly. Other NATO and European governments limited their support. They were clearly ambivalent, leery of losing the economic benefits of détente, and nervous about the possibility of military confrontation in a distant arena. Attachment to détente was not the only cause for unease. British General John Hackett, author of The Third World War, noted that an enemy cornered with no escape route is more likely to fight than to submit. United States Secretary of Defense Harold Brown touched on another concern shared by many when he acknowledged that American non-nuclear means might not suffice to meet contingencies in this particular geopolitical arena; until new means were procured, effective follow-up might be nuclear.4

President Brezhnev's response gave no hint of compromise.5 Washington was castigated for saber rattling and warmongering. The Soviet presence in Afghanistan was reinforced. President Carter's breaking of past agreements was declared to make him an unfit partner for any negotiations. Brezhnev asserted continued Soviet commitment to détente but offered no concessions. East European states like Poland, East Germany, Czechoslovakia and Bulgaria supported Moscow's stand, yet their support was tepid. Their expressions of solidarity with Moscow appeared as reluctant as West Europe's support for Washington. They, too, had come to depend on the economic (and to a lesser extent cultural) fallout from détente. They, too, were leery of the logic of polarization and confrontation, which nonetheless placed a premium on the appearance of steadfastness and resolve. Political appearances and their ramification on domestic perception became a dominant determinant of defense posture on both sides. In the United States, the dawning acceptance of the Soviet ability to inflict mortal damage has combined with an awareness that the era of unquestioned United States supremacy had passed and has led to a sometimes irrational extrapolation of Soviet power. Ignoring the role that United States diversion of resources into the Vietnam quagmire had played in facilitating Moscow's drive to parity status, it became politically convenient if not imperative to exaggerate the considerable financial investment that Moscow had ploughed into the effort.6 The inflated specter of Soviet military funding reinforced the all-too-natural American impetus of nostalgia, chauvinism and pride toward increased American defense funding. The administration's approval of the gigantic MX complex of multi-warhead missiles darting among multiple shelters—the military equivalent of the ultimate "shell-game"-provides a classic case in point.

### THE MX MISSILE CONTROVERSY

The rationale for the MX missile rested on the calculation that Soviet missile numbers and accuracy threatened the survivability of fixed-location missiles like the Minuteman. To some strategists, the Soviet threat to land-based missiles invited concentration on less vulnerable air and seaborne forces, forces which in and of themselves already possessed awesome overkill. This was especially true since the old objection, that their once inferior accuracy precluded certain targeting strategies, had been overtaken by technological advances. But while land-based forces might have become redundant, the possibility that their passing might be ascribed to Soviet prowess grated on too many sensibilities. Hence the MX system (the viability of which was predicated on the SALT II treaty and its restrictions on Soviet and American warhead numbers) was pushed with all the more vigor

<sup>&</sup>lt;sup>4</sup>Note Drew Middleton's analysis in *The New York Times*, January 7, 1980.

<sup>&</sup>lt;sup>5</sup>See e.g., Tass statements of January 3 and January 5, 1980; also Pravda, January 5, 1980.

<sup>&</sup>lt;sup>6</sup>F. D. Holzman, "Dollars or Rubles: The C.I.A.'s Military Estimates," in *The Bulletin of the Atomic Scientists*, June, 1980; and (a longer version) *International Security*, spring, 1980. See also this author's "Note on C.I.A. Calculations of the Soviet Military Budget," unpublished analysis prepared for the Russian Research Centre of Nova Scotia, summer, 1978.

once it became clear that SALT II would not be ratified.<sup>7</sup> The fact that a Moscow unrestrained by SALT obligations could deploy as many warheads as required to dispose of all the shells, filled or not, and the fact that further Soviet warhead increments might be procured more cost effectively than any conceivable MX expansion scheme appeared less relevant than the political imperative of facing down the Soviet challenge. Congressional willingness to fund the more than \$50-billion MX system at a time of budgetary restraints and cutbacks in social services was telling testimony to the depth and strength of this political imperative.

The Soviet perception was different. Confident that the Soviet Union had achieved basic parity and the increased freedom to maneuver that this entailed, Moscow was acutely conscious of continuing American advantages and potential. United States analysts might point to Soviet superiority in missile booster numbers and the increasing sophistication of Soviet targeting technologies; Soviet analysts noted that American technology nevertheless retained an edge as far as target accuracy was concerned and that the United States in fact held a greater absolute advantage in warhead numbers in 1979 than it had enjoyed in 1969.8 Soviet analysts may furthermore be presumed to entertain a rather different view of the effective size and potential of the United States defense budget than the view that prevailed in Washington. Further increases in United States spending, the MX system's first strike potential against Soviet land missiles (it must be remembered that vulnerable land components constituted an even greater portion of Moscow's force, since it had chosen to forego serious development of a strategic air arm), and Washington's evident efforts to woo China and encourage that nation's anti-Sovietism\* provided additional fuel to Soviet arms advocates. In Moscow, also the political imperative appeared to dictate continued arms development, even when it could be argued that such

\*With China's first testing of ICBM's in 1980 this was a constellation guaranteed to nurture Soviet fear of future eventualities.

<sup>7</sup>See B. T. Feld and K. Tsipis, "Land-Based Intercontinental Ballistic Missiles," *Scientific American*, November, 1979.

<sup>8</sup>L. Aspin, "Judge Not by Numbers Alone," The Bulletin of the Atomic Scientists, June, 1980.

"See K. N. Lewis, "The Prompt and Delayed Effects of Nuclear War," Scientific American, July, 1979. At the 1979 American Academy of Sciences-sponsored Pugwash Conference, Pugwash, Nova Scotia, most participants expressed the view that the real degree of redundancy was far larger than that portrayed in Lewis's article.

10 See this author's "Soviet Strategic Capabilities, The Superpower Balance," in Current History, October, 1977; also Soviet Strategic Initiatives; Challenge and Response, (New York: Praeger, 1979 (esp. chapter 1), and Richard Burt's "Experts Believe Laser Weapons Could Transform Warfare in '80's," The New York Times, February 10, 1980.

development was redundant, wasteful or counterproductive.

Yet padding to the nth degree and even the most ludicrously exaggerated redundancy in the numbers and quality of strategic weaponry was not in itself a danger—except to financial solvency and social goals and aspirations. By 1979, the consensus among many of the world's most eminent scientists was that the then current superpower arsenals already encompassed a yield-effect potential perhaps 50 times greater than was required to destroy known society.9 In such circumstances, more orders of magnitude might well be of interest only to connoisseurs of black comedy. The overkill potential of either side's submarine forces alone seem to preclude rational attack calculations. The danger lay rather in the possibility of the accidental ignition of an unwanted holocaust, a possibility that forced itself on the public mind during the spring of 1980—when United States authorities admitted to three false alarms generated by their early warning computers. Each consequent alert was aborted at an early stage, and the evident quality of backup systems soothed most observers. But, in fact, Soviet authors wrote of the need for "launch on warning" capability and suggested that Moscow might actually have adopted "launch on warning" as a strategy to secure against the surprise decimation of the Soviet land potential (though it must be acknowledged that Soviet practice has tended to be considerably more cautious than theory). Something approaching "launch on warning" was also the sine qua non of the continued United States investment in improved strategic land forces. The minimum flight time of hostile missiles does not allow for the luxury of much second thought so long as retaliatory force elements are exposed to the first incoming missiles. The danger of accidental war appeared minimal. Yet to those skeptical of computer (and personnel) infallibility, any unnecessary danger loomed as an unconscionable price to pay for a deployment mode whose military rationale rests on inadequate technologies and whose continued survival seems increasingly a function of political prejudice. So long as politics preclude substantive East-West dialogue, however, there is little hope that the problem will be addressed.

There was little doubt that current concepts of strategic superiority, one's own or one's opponent's, were fatuous as far as immediate reality was concerned. In other arenas, however, uncertainty warranted more respect. There was the possibility that breakthroughs in the fields of laser and high-energy particle beam technologies might one day lead to truly effective ballistic missile defense systems, thus ending the era of mutual assured destruction and its premise that an attacker could neither destroy nor ward off the victim's ability to inflict devastating retaliation. <sup>10</sup> By 1980, both superpowers were diverting funds and

personnel to the pursuit of this "holy grail." But many scientists remained dubious. And even if the skeptics were proved wrong, it might well be that the interpenetration of the antagonists' intelligence services would prevent a unilateral breakthrough. The logic of elementary prudence called for a major research effort; but it also called for recognition of the fact that neither side could prevent the feared breakthrough by the further deployment of existing weapons systems.

A more immediate threat lay in the area of conventional capabilities, the ability to sustain a possible conflict involvement without recourse to nuclear means. Secretary Brown's suggestion that the United States might be forced to cross the threshold in the event of a Soviet-American clash in Iran/Afghanistan testified to the depth of American concern. The immediate focus may have been misleading. A localized American military challenge in areas adjacent to the Soviet Union, where on-the-spot United States force potential could not hope to match that of the Soviet Union, is probably as unlikely as Soviet military initiatives in Mexico or Canada. And Moscow probably would not press a Middle Eastern challenge to the point where wider and more vital United States security interests would compel a riposte, no matter the danger.

Brown's suggestion was perhaps more important as regards different, future conflict possibilities in more distant areas. Both sides would approach such a conflict with definite problems. For all its recent advances, Moscow remained disadvantaged in the area of logistics; American hardware relevant to third world intervention, like aircraft carriers and heavy-lift air capability, remained superior, qualitatively and quantitatively. On the other hand, the recent inability to fill United States army recruitment quotas and the deteriorating educational and intelligence standards of new recruits caused at least some observers to question the quality and suitability of American military personnel. The abilities and morale of the infantry soldier might ultimately prove to have a greater bearing on the question of nuclear weapons usage than the MX or any other strategic glamor system.

Finally, one must return to the fact that the entrance of a new contestant into the ring of international power politics has always led to tests, probings and occasional blows, initiated by the newcomer or by the old players. Moscow's global interests and capabilities set the stage for today's version of this historical pattern. The Angolan crisis of 1975 might easily have provided a more crucial test. The Soviet Union probed. But the American challenge that United States Secretary of State Henry Kissinger tried to orchestrate was hamstrung by congressional opposition—perhaps fortuituously, in view of the fact that the Soviet client in Angola enjoyed the legitimacy of widespread African sanction and support, while its

more narrowly tribal-based rivals were tainted by association with South African interests.

The Ogaden War of 1978 suggested itself as the next most likely occasion for "eyeball to eyeball" confrontation. But Moscow again enjoyed the advantage of considerable neutral support (after all, the proforma objective of Soviet intervention—support for Ethiopia's territorial integrity against Somali aggression—was a cause formerly championed by Washington and its allies); again, effective United States counteraction would have entailed too heavy a diplomatic penalty.

A third potential test case was provided by the 1978 coup in Afghanistan, when a self-professed Marxist regime first emerged in that country. At that point, when Moscow's commitment was still informal and undefined, a coordinated Western challenge could have had considerable impact. Support for an Afghan national liberation movement, for example, might then have been viable-particularly if such a movement could have been made to subscribe to the "socialist" ideals of greater egalitarianism and participatory democracy (ideals likely to cause a measure of squirming in Moscow). Once Soviet commitment reached the December, 1979, level of extensive military involvement on the ground, however, the time to maneuver—the option to test at levels less than the ultimate—had passed. Moscow could no more submit to direct challenge in this geopolitical locale than could Washington to conceivable analogies adjacent to its borders.

Chancellor Helmut Schmidt of West Germany and others leery of Afghanistan-focused confrontation accepted the premise that a time of testing might be an inevitable adjunct to world power realities. But they withheld judgment, on the thesis that such testing must inevitably coalesce into a decisive crisis. They were leery of Washington's general tendency to presume the validity of the thesis and of Washington's apparent decision that the crucial crisis had been brought about in Afghanistan. They tended to see the course of events in Kabul as analagous to the sometimes hapless pattern of increased United States in-

(Continued on page 102)

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"... Chinese leaders have shown their political skill in forging new ties with Washington, Tokyo and West Europe; Soviet leaders, less adept at diplomacy and doubly burdened by the Afghanistan albatross, are relying on their military capabilities to maintain their strategic advantage over their Chinese adversaries."

# The Unending Sino-Soviet Conflict

BY STEVEN I. LEVINE

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N the very last day of the 30-year Sino-Soviet Treaty of Friendship and Alliance (April 10, 1980), the Chinese Ministry of Foreign Affairs called the Soviet embassy with a fascinating tidbit of information. The avenue on which the embassy stood was reverting to its traditional name from the pejorative Anti-Revisionism Street it had been called since the Cultural Revolution of the late 1960's. No less curious was the timing of another scarcely noticed incident in Sino-Soviet relations. Exactly eight weeks earlier, on February 14 (the anniversary of the signing of the treaty soon to expire), the Soviet Union finally returned to China a Kergez veterinarian, Burumbutug, who had been detained for seven months after a shooting incident in the Xinjiang Uygur Autonomous Region along the Sino-Soviet border.1 If these two otherwise unrelated events had any meaning, they may have been signals of the desires of both sides to hold open the option of improving relations even as their current relations continued to deteriorate.

The field of force—literal and metaphorical—created by the Soviet invasion of Afghanistan in December, 1979, extended to the area of Sino-Soviet relations. The invasion led the Chinese to suspend the talks begun in September, 1979, on normalizing state-to-state relations with the Soviet Union. And it accelerated the pace of United States-Chinese ties, in particular the trend toward expanding the military security relationship between Washington and Beijing, a trend Moscow has been decrying for some time.

The context in which the Chinese proposed talks on state-to-state relations with the Soviet Union on April 3, 1979, obscured their motives for doing so and

generated conflicting interpretations. Beijing's notification that it would not extend the Sino-Soviet Treaty of Friendship and Alliance beyond its original 30-year term was hardly unexpected. But Chinese Foreign Minister Huang Hua's offer to hold talks with the Soviet Union without prior conditions was surprising. Having recently normalized relations with the United States, were the Chinese ready to meet the Soviets halfway on the road to better relations? A logical case for limited Sino-Soviet rapprochement had long since been constructed by outside observers. Now that the Chinese were embarking on a program of economic rationalization and development via the Four Modernizations (agriculture, industry, national defense, science and technology), the logic of reducing tension and the risk of war with their powerful neighbor seemed even more compelling.

This logic, however, had failed to operate, or perhaps more accurately, had been overridden when China attacked Vietnam in February, 1979. Beijing's punishment of Hanoi for (among other things) its invasion of Kampuchea (Cambodia), which caused the collapse of the pro-Chinese Pol Pot regime, elicited a serious Soviet warning to cease and desist and stepped up Soviet arms transfers to Vietnam. But the Soviet counterblow that might have escalated into an uncontrollable conflict was not forthcoming. Although the war exposed serious deficiencies in China's military capabilities, Chinese leaders at least tweaked the tiger's tail.<sup>3</sup> Yet the longer-term Soviet reaction was unpredictable. By offering to confer with Moscow at this juncture, Beijing might simply have been asking to throw Soviet leaders off guard as well as to fertilize doubts in Hanoi about the wisdom of banking everything on Vietnam's alliance with the Soviet Union. The Sino-Soviet border talks, which had originated in 1969 under similar conditions of threatened hostilities, had dragged on for ten years without accomplishing anything of substance.4 Although Soviet leaders had tabled a variety of proposals over the years to improve Sino-Soviet relations, their interests in entering new talks with the Chinese were by no means clear.

Between the initial Chinese offer of April 3 and the

Reported in Foreign Broadcast Information Service, Daily Report, People's Republic of China, May 5, 1980, p. C1. (Hereafter cited as FBIS, Daily Report.)

<sup>&</sup>lt;sup>2</sup>See C.G. Jacobsen, "Sino-Soviet Crisis in Perspective," *Current History*, vol. 77, no. 450 (October, 1979), pp. 110-114, 133-135

<sup>&</sup>lt;sup>3</sup>Harlan Jencks, "China's 'Punitive' War on Vietnam: A Military Assessment," *Asian Survey*, vol. 19, no. 8 (August, 1979), pp. 801-815.

<sup>&</sup>lt;sup>4</sup>Kenneth G. Lieberthal, Sino-Soviet Relations in the 1970's (Santa Monica: The Rand Corporation, 1978).

actual opening of the Sino-Soviet talks in Moscow on September 27, the Chinese had grown increasingly vocal about the need for a wholesale change in Soviet global policy if Sino-Soviet relations were to improve. This was prima facie evidence of a diminishing Chinese interest in the talks even before they began. Rapidly improving Sino-American relations, demonstrated by the very successful China trip of United States Vice President Walter F. Mondale, may well have been the key factor in the evolving Chinese calculus. As the Sino-American relationship entered a phase of so-called "broadening and deepening," Chinese interest in Sino-Soviet détente may have diminished.

The former Chinese ambassador to the Soviet Union, Wang Youping, recently promoted to the rank of vice foreign minister, was appointed special representative and head of the Chinese delegation to the Sino-Soviet talks. His Soviet interlocutor was the Deputy Foreign Minister Leonid F. Illichev, a veteran of the stalled 10-year-old border negotiations. When he arrived in Moscow on September 23, Wang Youping expressed hopes for progress, but this sentiment was all but drowned by the unabated propaganda of both sides casting fresh aspersions on each other.

The exchange of diplomatic notes that led to the Moscow talks failed to specify either the procedures or the agenda. A series of five preliminary meetings stretching over two weeks solved the procedural questions (it was decided to alternate the talks between Moscow and Beijing), but not the matter of an agenda. What was the sticking point? Both sides appear to have agreed to discuss a new framework for Sino-Soviet relations to replace the Treaty of 1950, and to consider how to expand trade, and develop scientific, technological and cultural exchanges.

The difficult problem, apparently, was how to define that range of issues that constituted the major obstacles to the improvement of Sino-Soviet relations. Moscow apparently preferred a "narrow" agenda that would focus directly on Soviet-Chinese bilateral issues, believing that if an agreement could be reached on broad principles or on specific steps, in the realm of trade or cultural and scientific exchange, these might provide the momentum for further progress. In other words, the Soviet approach was to expand the area of Sino-Soviet agreement in relatively uncontroversial areas before grappling with thorny military-political issues. Beijing however, apparently insisted upon a "broad" agenda that would encompass not only strictly bilateral topics, but a range of Soviet foreign policies to which the Chinese took exception, including the Soviet-Vietnamese alliance.5

On October 17, 1979, with the matter of the agenda still unresolved, the two sides opened the first plenary

negotiating session. Adhering to a pattern established by the Sino-Soviet border negotiations, at the second session on October 25 the Soviet chief delegate tabled a draft proposal of principles (like peaceful coexistence) to serve as the guidelines for future Sino-Soviet relations. Although the principals themselves remained extremely tight-lipped about the proceedings, Yugoslav sources revealed that the Chinese had raised three preconditions: the withdrawal of Soviet troops from Mongolia, the thinning out of Soviet forces along the Soviet-Chinese border, and the termination of Soviet support of Vietnam. Soviet leaders are said to have responded to these demands by offering the Chinese a partial withdrawal in exchange for Chinese acceptance of a Sino-Soviet nonaggression treaty. A wide gap remained between the two sides, and an impasse apparently developed. After six plenary sessions, the first round of the normalization talks was concluded on November 30, and the Chinese delegation soon returned to Beijing.

Despite the anticipated failure to reach any agreement in what had been recognized as difficult and protracted negotiations, both sides were apparently committed to continuing the process. The cloak of silence that covered the talks ensured at a minimum that serious negotiations rather than polemical exchanges could take place. It was widely expected that a second round of negotiations would take place in Beijing sometime in the spring. This expectation was shattered, however, when the Chinese Ministry of Foreign Affairs announced on January 20, 1980, that the Soviet invasion of Afghanistan

creates new obstacles for normalizing relations between the two countries. Under these circumstances, it goes without saying that it is inappropriate to hold these Sino-Soviet talks.

This carefully worded statement implied the suspension rather than the termination of Sino-Soviet talks, but Chinese insistence on a total withdrawal of Soviet troops from Afghanistan makes it unlikely that negotiations will resume in the foreseeable future. There may have been some disagreement in Beijing about the wisdom of suspending the talks as a reaction to the Soviet invasion. This is suggested both by the three week interval between the Soviet invasion and the Chinese announcement and by the brevity and restraint of the statement. The annual Sino-Soviet trade negotiations and the meeting of the river boundary commission were not affected by the rupture of the normalization talks. In any case, the intensity of the United States reaction to Moscow's Afghan adventure apparently persuaded most Chinese leaders that the time was ripe to pursue the dominant Chinese policy objective of containing Soviet expansionism. Continuing normalization talks with Moscow at a time when the administration of United States President Jimmy Carter had suddenly become converted to an almost

<sup>&</sup>lt;sup>5</sup>Xinhua in English, September 23, 1979, in FBIS, *Daily Report*, September 24, 1979, p. C3.

Chinese view of Soviet intentions would hardly have advanced China's objective of a global united front to counter hegemonism. To those Chinese leaders who may have seen the talks as a mere tactical device, their suspension was not much of a loss, measured against the deepening of the Sino-American security link.

#### **DEFINING THE ENEMY**

Soviet and Chinese views of each other are still evolving. In essence, while the Chinese no longer condemn the Soviet Union as revisionist, they have reaffirmed their belief that the Soviet Union is a social imperialist rather than a socialist country. Soviet leaders, pointing to developments in the Chinese economy and to China's virtual alliance with the West, allege that the People's Republic is sliding toward capitalism.

As the Chinese began to experiment with ideologically unorthodox methods of stimulating their economy, including the encouragement of direct foreign investment, Maoist fulminations against Soviet revisionism became not only anachronistic but also embarrassing. In Marxist-Lennist systems, ideological definitions change to accommodate present realities. As certain Chinese policies became revisionist according to the old definitions, the criteria were changed. An article in the theoretical journal Hong Qi (Red Flag), entitled "Main Signs of Revisionism," condemned the so-called Gang of Four as revisionists from the left, because they ignored the fundamental interests of the laboring people and failed to uphold the unity of theory and practice, two exceedingly vague criteria proposed to distinguish marxism from revisionism. Hong Qi avoided any direct mention of the Soviet Union as a revisionist country, although the Soviet Communist party was indicted implicitly on this charge.

Unconfirmed reports from Moscow asserted that a tentative agreement on an ideological truce may have been reached during the Sino-Soviet talks; in the fall of 1979 the Chinese Communist party circulated a summary of an Academy of Sciences debate that concluded that for all its faults the Soviet Union was still a socialist country. A similar view prevailed at a national forum on Soviet literature held in Harbin in September, 1979, but by the time these views were published in late March, 1980, they were no longer in favor and the magazine was severely censured. 6 In the

<sup>6</sup>Christian Science Monitor, April 3, 1980, p. 9; Wen Wei Po, May 7, 1980, in FBIS, Daily Report, May 13, 1980, p. U2. 

<sup>7</sup>Ming Pao, May 21, 1980, p. 4 in FBIS, Daily Report, May

29, 1980, p. U1.

<sup>9</sup>Pravda, April 7, 1980, p. 5, in Current Digest of the Soviet Press, vol. 32, no. 14 (May 7, 1980), p. 3.

10"China: Some Trends on the Domestic Scene," pp. 5-6.

aftermath of the Afghanistan invasion, Deputy Prime Minister Deng Xiaoping himself conspicuously reaffirmed the orthodox position—the Soviet Union was a social-imperialist rather than a socialist state.

Nevertheless, the label of revisionism has been dropped from the Chinese anti-Soviet vocabulary. In fact, a series of meetings sponsored by the Chinese Academy of Social Sciences concluded that the antirevisionist thrust of the famous "nine articles"—the ideological centerpiece of the Chinese anti-Soviet polemics of the early 1960's—had been seriously in error because they focused on revisionism rather than hegemonism and expansionism, which were the real dangers posed by the Soviet Union.7 This nomenclatural niggling is not without significance, because it indicates the virtual removal of ideology as a cause of Sino-Soviet discord and a somewhat more tolerant Chinese attitude toward what constitutes a socialist state. The Chinese, however, remain extremely critical of Soviet President Leonid Brezhnev's domestic and foreign policies, particularly in the wake of Afghanistan.

Soviet leaders, for their part, continue to view China as a nation in the grip of a military-bureaucratic dictatorship only superficially changed since the death of Chairman Mao Zedong. As *Pravda's* authoritative and pseudonymous I. Aleksandrov put it:

Maoists of different shades succeed one another at the helm of power in Peking, new people and new methods appear, but the essence of Mao's foreign policy remains unchanged: aggressive great-power chauvinism, striving for hegemony, gambling on world contradictions, incitement to war.

In this view, the changes that have occurred in China in the last four years are merely reflections of an ongoing struggle for power by competing factions in the Communist party and desperate (but thus far unsuccessful) attempts to patch up a faltering economy whose major objective is to augment China's military power rather than to provide for the popular welfare. In the economic realm, Kommunist alleged, the rehabilitation of former Chinese capitalists, the permission granted for small-scale private tradesmen to pursue their trades, the open door for private capital and other steps have contributed to

the erosion of the structurally socialist economic basis of the Chinese society . . . [and are] dragging the country still deeper into the ambit of the international capitalist division of labor. 10

This type of comment, incidentally, prompts the Chinese complaint that the Soviet Union still considers itself "the instructor of the Chinese people." In political terms, Soviet leaders, unlike many Western observers, expect additional major changes in a Chinese political system that they believe has not yet stabilized. Elite conflict and popular pressure may yet combine to force a change in Chinese policy toward

<sup>8&</sup>quot;China: Some Trends on the Domestic Scene," *Information Bulletin*, Novosti Press Agency, No. 9 (450) February, 1980, p. 16. (Translated from *Kommunist*, No. 3, 1980).

the Soviet Union and may return China to the socialist fraternity. This is not just a Soviet pipe dream; consider the state of Sino-American relations just a decade ago.

#### THE STRATEGIC STRUGGLE

Progress toward strengthening the military-security dimension of the burgeoning Sino-American relationship was the most significant development in the Moscow-Washington-Beijing strategic triangle in 1979-1980. Ironically, Moscow, which had long voiced its concern over the prospect of Sino-American military ties, helped establish those ties by its invasion of Afghanistan. The strengthening of Sino-American military ties was accompanied, moreover, by indications that Japan was ready to boost its defense expenditures in response to the perceived Soviet military threat. The specter of an emerging Washington-Tokyo-Beijing security axis no longer seemed just Moscow's bad dream. Finally, Beijing's test of an intercontinental ballistic missle (ICBM) in May, 1980, signaled that China's military backwardness might not endure. From the United States, Japanese and Chinese perspectives, of course, enhanced military capabilities were needed to counter Moscow's new deployments of air and seapower in the Asian-Pacific region, especially in view of the Soviet Union's tendency to take advantage of global opportunities. Such a mutually reinforcing pattern of perceptions and actions is guaranteed to produce an escalating arms race in East Asia and the further militarization of international relationships in the region.

The intensity of the American response to the Soviet invasion of Afghanistan apparently surprised Beijing nearly as much as it did Moscow. The Carter administration's instant inclination to view Moscow's intervention in global rather than in local or even regional terms neatly dovetailed with China's own view. A Chinese government statement issued just days after the Soviet invasion condemned the intervention as "a grave threat to peace and security in Asia and the whole world," which demonstrated Moscow's aggressive ambitions for all to see. 11 China's Vice Minister of Foreign Affairs Zhang Haifeng told the Soviet ambassador in Beijing that "Afghanistan is China's neighbor, and therefore the Soviet armed invasion of that country poses a threat to China's security." Subsequent commentary, however, downgraded the threat to. China's own security and highlighted the peril to the security and vital interests of the West and Japan.

PRC media asserted that the Soviet invasion of Afghanistan was evidence that "The Soviet Union's

global strategy of seeking hegemony in the world has taken another large step forward. . . . "12 As Western (particularly American) statesmen grew increasingly skittish about the security of their access to Middle East oil, Chinese commentators hammered home the theme that the Soviet Afghanistan adventure was one piece in a disturbing global Soviet advance. As evidence, the Chinese pointed to new Soviet bases in Vietnam, the Middle East and the Indian Ocean region, increasing Soviet military deployments, and mounting Soviet defense expenditures, which had already produced a Soviet advantage over the United States in strategic nuclear and in conventional weapons. While Europe remained the primary and Asia the secondary target of the Soviet Union, the Chinese predicted that Moscow would "point the spearhead of its expansion mainly at the southern front," which was marked by instability and weakness. The Soviet Union posed a threat to South Asia, the Persian Gulf, the oil resources of the Middle East and North Africa and, ultimately, to Europe, Japan, and the United States.13

Were the Chinese prepared to counter what they claimed were the Soviet Union's sinister global designs? During his trip to the United States in January-February, 1979, senior Depúty Premier Deng Xiaoping pointed out that China lacked both military power and political influence in most of the areas threatened by the Soviet Union: the West and Japan must bear the major brunt of containing and (where necessary) confronting Soviet hegemonism. China at best could play a supporting role.

United States Secretary of Defense Harold Brown's China visit (scheduled well before the Soviet invasion of Afghanistan but occurring in early January, 1980) provided an opportunity to coordinate a parallel American and Chinese response to the Soviet Union. Deng Xiaoping said that "China and the United States should do something in a down-to-earth way to defend world peace against Soviet hegemonism." Secretary Brown offered the hope that the Sino-American "global strategic relationship will broaden and deepen. . . . " Soviet leaders had charged (and Beijing denied) that Chinese small arms and equipment were helping to fuel the Afghan resistance to the puppet Karmal regime in Kabul. According to United States officials, during the Brown visit Beijing offered to step up the flow of weapons to Afghan resistance fighters. China also climbed aboard the United States-sponsored Olympic boycott, and reaffirmed its support for its ally, Pakistan, as well as for Thailand.

The import of Secretary Brown's visit became evident when the United States made a major change in its China policy. In late January, the Pentagon announced that for the first time the United States was prepared to sell China military equipment although not weapons, in addition to the dual use

<sup>&</sup>lt;sup>11</sup>FBIS, *Daily Report*, December 31, 1979, pp. C1-2. <sup>12</sup>*Renmin Ribao*, January 15, 1980, p. 6 in FBIS, January 16, 1980, p. C2.

<sup>&</sup>lt;sup>13</sup>FBIS, Daily Report, May 14, 1980, p. A3.

(civilian and military) technology that had previously been allowed. By the time Chinese Vice Premier Geng Biao visited Washington in late May, 1980, the Carter administration had approved for sale to China items like helicopters and military transport planes, communications equipment, air defense radars, and dual use computers. Secretary of Defense Brown noted at the time that the United States "looks forward to the continued step-by-step strengthening of ties between our two defense establishments..."

In view of the "deepening and broadening" of the Sino-American security relationship, it seems doubtful that the current ban on weapons sales will remain in effect much longer. The threat of such sales will help restrain further Soviet adventurism, it is hoped. China has already made it known that it is interested in acquiring certain United States weapons systems when and if they are made available. The development of Sino-American security ties is only one aspect of a relationship that includes a rapid expansion of trade and scientific and cultural exchanges; by midyear many more business deals and government agreements were in the pipeline.

How does this affect Sino-Soviet relations? In an important policy address on June 4, Assistant Secretary of State Richard Holbrooke asserted that the development of Sino-American relations had transcended the framework provided by the concept of the Sino-Soviet-American strategic triangle. At the same time, he invoked the continuing relevance of the concept, suggesting that further Soviet moves that impinged directly on vital Chinese and American interests (like an attack against Pakistan) could transform the Sino-American relationship from friendship to alliance. In sum, in the space of less than two years, the United States and China have moved rapidly beyond mere normalization to a multi-strand relationship the core of which is agreement on the need to contain the Soviet Union. This evolution was crowned, in a sense, by the brief but symbolic Tokyo summit meeting of President Carter and Chinese Premier Hua Guofeng on July 10, 1980.

Some other elements in Beijing's strategy of combating Soviet "hegemonism" may be mentioned more briefly. Chinese Premier Hua Guofeng's state visits to West Europe in the fall of 1979, his trip to Japan in May, 1980, and Foreign Minister Huang Hua's frequent journeys strengthened China's relations with these states and sounded warnings against the Soviet Union. The Chinese expressed strong support for a sizable increase in Japanese defense expenditures, an increase that was rapidly gaining favor with the Japanese public and in official government circles.

No substantive changes occurred in the relations between China and Vietnam, a state that the Chinese condemn as an agent of Soviet expansionism in Southeast Asia. Hanoi's failure to suppress the Chinesebacked guerrilla forces of Khieu Samphan and Pol Pot in a dry season offensive in Cambodia encouraged the Chinese belief that a protracted struggle would eventually lead to the ouster of the Hanoi-installed Heng Samrin regime in Phnom Penh and the withdrawal of Vietnam's army of occupation. Showing very little interest in a negotiated solution to the Indochina problem, Beijing nurtured the hope of victory in this proxy confrontation with the Soviet Union. The grave threat of a renewed Sino-Vietnamese war hung over the region, and any large-scale Vietnamese incursion into Thailand (as occurred on a very limited scale in June) seemed likely to trigger a Chinese military response.

An interesting aspect of China's competition with the Soviet Union is Beijing's renewed interest in the international Communist movement. Witness the April visit to China of a delegation from the Italian Communist party (PCI) led by General Secretary Enrico Berlinguer, who had spoken out sharply against the Soviet invasion of Afghanistan. The reestablishment of relations between the PCI and China's Communist party (CCP) was an important step for the Chinese back into the world of international Communist politics, an arena they had virtually conceded to the Soviet Union in the mid-1960's. The Chinese expressed a greater appreciation than heretofore for the possibility of Eurocommunism, and they moved to explore relations with other sectors of the European left.

The Soviet Union observed the strengthening of China's ties with Japan and the West with genuine apprehension, and Moscow charged that Beijing had become an "accomplice and junior partner" of imperialism through its security and economic ties with Japan and the West. A veteran Soviet observer of United States-China relations regarded Secretary Brown's trip as opening the door to the transfer of United States military technology to China, and as part of an American effort to nurture a permanent pro-American grouping within the Chinese elite. 14

Until their Afghan intervention, the Soviet leaders hoped that Washington would give priority to its (Continued on page 104)

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<sup>&</sup>lt;sup>14</sup>B.N. Zanegin, "Kitaiskii faktor vo vneshnepoliticheskikh avantiurakh Vashingtona" (The Chinese factor in Washington's foreign policy adventures), *SShA*, no. 4, 1980, pp. 78-84.

"The Soviet-East European relationship probably will not change during the immediate future, although ferment in Yugoslavia could lead to Soviet intervention. Regarding a longer-range perspective, increasing demands for fuel and a growing foreign currency debt may bring some East European regimes to default unless Moscow assists them. Soviet assistance, in turn, would most assuredly result in a tightening of Soviet control."

# Soviet Policy in East Europe

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HE "socialist" commonwealth of nations is perceived from Moscow as the nucleus of a world system, although not all present and future members are now under tight Soviet control or influence. Most of the states in East Europe are under Soviet control, with three notable exceptions: Albania, Romania and Yugoslavia. And even these maverick regimes have been assisting the so-called national liberation movements to become ruling parties and, hopefully, to join the world socialist system. By and large, the East European states rarely challenge basic Soviet foreign policy objectives (except for Albania), and their support is usually forthcoming in the United Nations as well as in international Communist front organizations.

From the Soviet point of view, the land mass occupied by other members of the Warsaw Treaty Organization will probably continue to play a dual role within broad military security contingency possibilities: offensively as a springboard for attack and

<sup>1</sup>For background data, see "Soviet Policies in East Europe," Current History (October, 1979), pp. 119-123 and 136.

<sup>2</sup>Note SWAPO president Sam Nujoma's statement that "without Yugoslavia's assistance, the South-West African People's Organization could not wage such a successful struggle against the illegal regime in the South African Republic." Belgrade radio, July 18, 1979.

<sup>3</sup>Most of these fronts have headquarters in East European capitals, as follows: Christian Peace Conference, International Organization of Journalists, International Union of Students, and World Federation of Trade Unions (Prague); Women's International Democratic Federation (East Berlin); and World Federation of Democratic Youth (Budapest). See 1980 Yearbook on International Communist Affairs (Stanford: Hoover Institution Press, 1980), p. xxiv.

<sup>4</sup>L'Unita (Rome), April 28, 1980; and Washington Post, April 30, 1980.

<sup>5</sup>See Die Welt (Hamburg), December 20, 1979; Pravda (Moscow), March 5, 1980; and Time, April 21, 1980.

<sup>6</sup>Brezhnev in his address to delegations from 28 East and West European Communist parties in East Berlin explained the term proletarian internationalism, which he had used several times, as meaning the "voluntary cooperation of all Communist parties." This represented an obvious ploy to obtain support from West European Communist leaders. Moscow radio, June 28, 1976.

defensively as a buffer zone, which also protects the Soviet Union from ideological contamination. However, the possible spillover effect of the ferment caused by developments like Eurocommunism is taken seriously. The ruling parties in Romania and Yugoslavia, for example, joined the group of nine independent "Eurocommunist" West European movements (more than one-third of the 31 invited), which refused to attend the all-European Communist conference in Paris, April 28-29, 1980, even though it had ostensibly been proposed by French and Polish Communists. The 20 delegations present issued an "appeal for peace and disarmament."

The Soviet Union can also point to the success achieved by all East European states, and especially by the German Democratic Republic, in eliminating capitalism and progressing through the stage of people's democracy to a "socialism" that may serve as an example for the third world countries that have chosen the "non-capitalist" path of development. Some East European regimes assume the role of proxies for the Soviet Union; they supply economic aid, train the indigenous military; and even reportedly serve as contact points for international terrorist groups.<sup>5</sup>

However, the politico-economic and social systems established under the protection of the Soviet army at the end of World War II will be maintained by force if necessary. That message for East Europe was delivered at the time of Czechoslovakia's occupation in August, 1968, when "socialism with a human face" could not sustain itself against half a million Soviet troops. The leaders in the Kremlin were proclaiming the irreversibility of their form of government, justifying their action with the ex post facto "Brezhnev Doctrine," which is nothing more or less than the old proletarian internationalism of Lenin. This same concept was used to justify the invasion of Afghanistan, but during early 1980 it received a new label, "international revolutionary solidarity."

Apart from the regular meetings of the Council for Mutual Economic Assistance (CMEA) and the Warsaw Treaty Organization (WTO), multilateral summit conferences attended by all East European Communist party leaders took place during mid-summer, 1971, 1972, and 1973 at Oradea in the Crimea. Since then, President Leonid Brezhnev has met separately with these same individuals during July and August of each year. This new procedure has its advantages, especially in view of the recent difficulties encountered by Soviet leaders when they attempted to orchestrate Soviet foreign policy objectives via CMEA and WTO.

The Central Committee of the Communist party of the Soviet Union (CPSU) claimed to have examined the results of such bilateral conversations, which had "stressed the necessity of further strengthening the socialist states' solidarity with all peoples who have become targets of imperialist and hegemonist pressure. In this regard, the danger of Beijing's continuing expansionist policy was noted . . ."8

Although this last sentence (referring to the People's Republic of China) may have been applicable to other bloc leaders, it did not accurately reflect Romanian President Nicolae Ceauşescu's position. Only one year before, in 1978, and again after the 1979 Crimean talks, China's Chairman Hua Guofeng had been received in Bucharest as an honored guest. Romania refuses to extend diplomatic recognition to

<sup>7</sup>A recent exception to this rule occurred in 1979, when Janos Kadar did not make the annual pilgrimage to the U.S.S.R. Instead, Brezhnev visited Budapest from May 30 through June 1, when he may have given tacit approval to Hungary's new economic mechanism. Yearbook on International Communist Affairs (1980), p. 91.

<sup>8</sup>Pravda, August 18, 1979. See also V. Chernyshev, "Pursuing a Course of Peace and Cooperation," Sovetskaya Rossiya (Moscow), April 16, 1980, on alleged bloc unity.

<sup>9</sup>Romania did not break off diplomatic relations with Chile after the 1973 overthrow of Salvador Allende. During the summer of 1979, a delegation headed by the deputy minister for mines, oil and geology spent a week in Santiago. On the other hand, Romania has granted asylum to about 1,000 Chilean refugees, supported by a \$300 million grant from the United Nations. See U.N. High Commissioner for Refugees, Report (spring, 1979). Following an independent policy, during the six-day conference of nonaligned states September 3-9, 1979, in Havana, the Romanians sided with Yugoslavia in opposing the attempt by Fidel Castro to declare the U.S.S.R. a "natural ally" of the movement. For the final declaration, see Review of International Affairs (Belgrade), September 20, 1979, pp. 18-78.

<sup>10</sup>The representative of Romania also abstained from voting on the resolution at the United Nations condemning the Soviet invasion of Afghanistan. All other bloc members voted against it. See lineup in *The New York Times*, January 15, 1980.

<sup>11</sup>Pravda, October 7, 1979.

<sup>12</sup>Tass communiqué from Warsaw, May 15, 1980.

<sup>13</sup>Ibid., May 16, 1980.

<sup>14</sup>U.S. Congress, Commission on Security and Cooperation in Europe, *Hearings* on "Implementation of the Helsinki Accords," 11 vols. (Washington, D.C., 1979). President Carter in his report to this same commission charged that the U.S.S.R. had violated seven of the ten principles agreed upon at Helsinki.

the new Vietnamese-installed government of Cambodia, which is supported by the Soviet Union. These and other differences like good relations with Israel and support for the Camp David accords<sup>9</sup> probably explain why Brezhnev waited one and a half years before giving Ceauşescu the Order of Lenin which had been awarded him by the U.S.S.R. Supreme Soviet on his 60th birthday.

Meetings in the Crimea also serve as a means for coordinating bloc policies at the United Nations, <sup>10</sup> East-West talks on mutual force reductions in Europe, and any major initiative to be undertaken by the Soviet Union vis-à-vis the United States. It may well be that in this last area Soviet leaders merely inform their client states rather than inviting any participation in the decision-making process.

Less structured, bilateral meetings occur when the Soviet President visits various East European capitals. The visits deal for the most part with economic relations but can serve as a podium for major policy statements. This is what happened when Brezhnev arrived in East Berlin to help celebrate the 30th anniversary of the German Democratic Republic (GDR) (all bloc party leaders, except for Ceausescu, attended the ceremonies). In a major speech aimed at NATO heads of state rather than his immediate audience, he offered to withdraw a token five percent of the 400,000 Soviet troops stationed in East Germany and 1,000 (of their 7,000) tanks.11 However, the prerequisite involved a West European ban on the future deployment of 108 single warhead Pershing-2 missiles. More than 200 Soviet SS-20 missiles, with three warheads each and three times the range, can reach targets as far away as Britain.

Romania's Communist party leader and chief of state did attend the Warsaw Treaty Organization (WTO) political consultative committee meeting in the capital of Poland on May 14-15, 1980, to commemorate a quarter century of the pact. The communiqué mentioned "unity of views . . . on European and international problems under discussion." The much longer declaration sounds like a cold war document, identifying the threat to peace as the

imperialist [i.e., United States] policy of force, confrontation and hegemonism, of stockpiling [sic] unsolved international issues. The imperialist circles that pursue this policy openly violate the independence and sovereignty of states, interfere in their internal affairs, increasingly use force or the threat of force in international relations. 13

Seven specific proposals follow, including a call for strict observance of the Final Act signed at the Helsinki Conference on European Security and Cooperation in Europe on August 1, 1975. The third part of this agreement deals with human rights guarantees, which have been violated more than they have been observed by all bloc regimes.<sup>14</sup>

**USSR** East Europe Agreements Agreements Years concluded Deliveries Deliveries concluded 1955-1968 5,495 4,585 705 805 1969-1978 24,160 20,725 2,450 1,855 Totals: 29,655 25,310 2,560 3,255

TABLE 1: COMMUNIST MILITARY AGREEMENTS CONCLUDED AND DELIVERIES TO THE LESS DEVELOPED COUNTRIES (in millions of dollars)

Source: Central Intelligence Agency, Handbook of Economic Statistics 1979 (Washington, D.C., August, 1979), p. 117.

#### **RELATIONS WITH THE THIRD WORLD**

The importance of less developed countries (LDC's) for the Soviet Union and East European states can be seen from the already arranged substantial Soviet bloc imports of fuel and raw materials in exchange for complete industrial plants during the five-year period 1981-1985. Such barter arrangements often benefit both sides, because they lack convertible currency. Even though, more recently, the Soviet bloc has focused on the Middle East because of the anticipated shortage of Soviet oil in the mid 1980's, 15 the Soviet bloc effort previously centered on Africa.

Between 1955 and the end of 1978, bloc credits were concentrated among African trading partners, who had drawn the equivalent of almost \$11 billion in credits from the Soviet Union (\$7,595,000) and East Europe (\$3,305,000). More than half went to the North African countries in the Maghreb: Algeria, Morocco and Tunisia. Whether the Soviet client states extend these credits willingly remains unknown. Some of their leaders may not share Brezhnev's enthusiasm or have a deep involvement in the military implications of the program.

The strictly military aspect of Soviet bloc relations with the LDC's includes arms exports, training of

<sup>15</sup>The U.S.S.R. has admitted registering its smallest annual increase in oil production since the mid-1950's. *Pravda*, November 28, 1979. According to the Organization for Economic Cooperation and Development, the Soviet bloc will be importing 2.6 million barrels of oil per day by 1990. See also Central Intelligence Agency, *Energy Supplies in Eastern Europe* (Washington, D.C., December 1979), pp. 74.

<sup>16</sup>Central Intelligence Agency, Communist Aid Activities in Non-Communist Less Developed Countries 1978 (Washington, D.C., September, 1979), p. 11.

<sup>17</sup>William F. Robinson, "East Europe's Presence in Black Africa," *RAD Background Report* (Munich), June 21, 1979, p. 5

<sup>18</sup>CIA Handbook, op. cit., p. 123 (source for Table 1).

<sup>19</sup>Martin McCauley, "USSR-GDR: Thirty Years of Friendship," *Soviet Analyst* (London), October 11, 1979, pp. 4-5

<sup>20</sup>Text of treaty broadcast over East Berlin radio, November 15, 1979. Honecker had been preceded by Defense Minister Heinz Hoffman, who visited Algeria, Guinea, Nigeria, Angola, Congo (Brazzaville), Niger and Tunisia. Hoffmann also led a 20-member military delegation to Zambia.

third world nationals, dispatch of advisers, even detailing officers to fly Soviet aircraft or to command troops in the field. Almost two-thirds (61 percent) of the Soviet and almost half (48 percent) of all East European weapons shipments have been delivered over the past five years, <sup>17</sup> indicating the extent of acceleration. Soviet client states are probably restricted in what they are allowed to export, because they account for only about one-tenth of total Soviet sales. Between 1955 and the end of 1978, Soviet and Soviet bloc deliveries amounted to the equivalent of \$25.3 billion and \$2.6 billion, respectively. (See Table 1.)

The growth in arms sales over the past five years has coincided with the extension of Soviet influence into Angola, Mozambique, Ethiopia, South Yemen and, most recently, Afghanistan. East European assistance may not have been crucial in any one of these countries, but it has helped Moscow cumulatively. Apart from weapons, during the past quarter of a century, the number of military trainees from all participating LDC's totaled 43,800 in the U.S.S.R. and 5,975 throughout the bloc in East Europe. 18 Czechoslovakia and the German Democratic Republic (GDR) have played key roles in this effort.

East Germany has organized security and communications systems and has trained combat and local police forces in various parts of Africa south of the Sahara. 19 Zaire broke off diplomatic relations with the GDR after capturing East German ammunition in March, 1977, from guerrillas who had invaded copper-rich Shabba province. Only two years later, East German party and government leader Erich Honecker personally signed friendship treaties with Angola, Zambia and Mozambique, and revealed that "solidarity goods" were being shipped to the Patriotic Front guerrillas in Zimbabwe. Emulating his Soviet mentors toward the end of the same year, Honecker paid a second visit to Africa and initialed friendship pacts with Ethiopia<sup>20</sup> and South Yemen. At Addis Ababa, he laid the cornerstone for the first monument to Karl Marx in Africa.

In fact, Ceauşescu holds the record with six visits to Africa; Honecker and Todor Zhivkov of Bulgaria have each made only two. Romania also leads in the number of friendship and cooperation declarations

Bloc Country	Third World State	Date	Duration (years)
Bulgaria (6)	Angola	October 21, 1978	20
	Mozambique	October 25, 1978	20
	Ethiopia	July 14, 1980	20
	*South Yemen	October 29, 1978	indefinite
	Vietnam	October 10, 1979	25
	Laos	October 5, 1979	25
Częchoslovakia (1)	Ethiopia	December 11, 1959	indefinite
East Germany (5)	Angola	February 19, 1979	20
,	Mozambique	February 24, 1979	20
	Ethiopia	November 15, 1979	20
	South Yemen	November 17, 1979	20
	Kampuchea	March 18, 1980	25
Hungary (none)	<u> </u>	·	
Poland (2)	Angola	December 4, 1978	-20
	*Ethiopia	December 12, 1978	indefinite
Romania (8)	Guinea	March 11, 1974	indefinite
	Gabon	April 11, 1979	indefinite `
	Angola	April 14, 1979	20
	Zambia	April 17, 1979	indefinite
	Mozambique	April 20, 1979	20
	`Burundi	April 23, 1979	indefinite
	Sudan	April 25, 1979	indefinite
	Zaire	March 19, 1980	indefinite

TABLE 2: EAST EUROPEAN DECLARATIONS AND TREATIES OF FRIENDSHIP AND COOPERATION

Sources: The source is always the respective bloc country's Communist party daily paper, one day after signing the agreement. Courtesy of William F. Robinson, Assistant Director, Research & Analysis Department, Radio Free Europe, Munich.

and treaties with African countries (eight), followed by Bulgaria (six), GDR (five), Poland (two), and Czechoslovakia (one), trailed by Hungary (none). The independent stance assumed by Romania, of course, makes spokesmen for that country much more effective in the third world than those spokesmen for the other East European regimes, which are more closely identified with the U.S.S.R.<sup>21</sup> (See Table 2.) Bucharest foreign policy sometimes differs with Moscow. However, Romania helps to promote Soviet-style political and economic systems throughout the LDC's precisely because of these differences.

<sup>21</sup>The extent of this can be seen from Romanian spokesman Cornel Burtica's speech on May 8, 1979, in Manila, when he addressed the fifth U.N. Conference on Trade and Development. Romania supported the demands made by the Group of 77 for establishment of a "new international economic order." In this connection, Burtica claimed that Romania had completed 80 major economic projects in the LDC's, had more than 12,000 trainees from the third world in his country and about 15,000 Romanian specialists helping 50 developing states to industrialize. The Romanian spokesman proposed a 10-15 percent reduction in all military budgets, with half of these savings allocated to support the poorest countries in the third world. Free Romanian Press (London), no. 24, June 17, 1979, p. 1.

<sup>22</sup>Izvestiia (Moscow), August 30, 1979.

<sup>23</sup>Moscow radio, June 5, 1980, announced that the U.S.S.R. had delivered 400,000 tons of petroleum to Romania during the last half of 1979 and would supply one million tons in 1980.

The cooperation between Romania and Egypt is a peculiar type of military cooperation, seemingly at variance with current Soviet foreign policy. Citing the Beirut newspaper ach-Chaab, an article in the official Soviet government organ, reported that Bucharest had begun supplying Cairo with spare parts for aircraft, tanks, self-propelled artillery, and other types of Soviet-made equipment.<sup>22</sup> In March, 1979, the Egyptian minister of defense and military industry brought a special message to Ceausescu from President Anwar Sadat, which resulted in a new agreement for aircraft engines and spare parts. This would probably not be taking place without at least tacit acquiescence by the Kremlin.23 It may mean, of course, that the Soviet gerontocracy still hopes to regain a foothold in Egypt, perhaps after Sadat leaves the scene.

#### TRENDS AND PROSPECTS

Regardless of whether the succession issue can be solved (or will even be mentioned) at the 26th CPSU Congress that opens in Moscow on February 23, 1981, one of the East European regimes already faces this problem. Since the death of Yugoslav leader Josip Broz Tito, the collective leadership he had envisaged currently includes: (1) an eight-member state presidency, with the office of President rotating each year; (2) a rotating chairmanship of the 23-member Central

<sup>\*</sup>Note: Declaration on Friendship and Cooperation, not treaty.

**TABLE 3: HARD CURRENCY DEBTS** 

Country	Gross Debt* (\$U.S. billions)	Debt Service Ratio** (percentages)
Poland	21.0	92
USSR	17.2'	18
Yugoslavia	11.4	n.a.
East Germany	10.1	. 54
Hungary	8.0	.37
Romania	7.0	22
Bulgaria	4.5	38
Czechoslovakia	_4.0	22
Total	$\frac{4.0}{83.2}$	40 (average)
CMEA banks***		
Grand Total	$\frac{5.2}{88.4}$	

Source: Central Intelligence Agency, Estimating Soviet and East European Hard Currency Debt (Washington, D.C., June, 1980), p. iii.

Notes: \*Equals liabilities to Western governments, commercial banks, suppliers and other lenders.

\*\*Based on exports to non-CMEA countries.

TABLE 4: USSR TRADE TURNOVER WITH EAST EUROPE

(millions of rubles)

Country	1978	1979	Percentage (increase)
East Germany	7,693	8,133	5.7
Poland	7,050	7,555	7.2
Czechoslovakia	6,061	6,546-	8.0
Bulgaria	6,142	6,486	5.6
Hungary	4,826	5,155	6.8
Yugoslavia	2,206	2,600	17.9
Romania	1,950	2,146	10.0
Totals	35,928	38,621	8.8 (average)

Source: Vasily Klochek, "Vneshnyaya torgovlya SSSR v 1979 godu," Vneshnyaya torgovlya (Moscow), no. 5, May, 1980, p. 3.

Committee presidium, which controls the ruling League of Communists in Yugoslavia (LCY). After 35 years of Tito's highly personalized rule, it is doubtful that this complicated system will work.<sup>24</sup> What if it does not?

Rumors that the U.S.S.R. (either directly or using Bulgaria as a proxy) would invade Yugoslavia after Tito's death have not thus far been translated into action. If the Soviet Union indeed had such intentions, the December, 1979, occupation of Afghanistan and subsequent difficulties in "pacifying" that country might have affected Moscow's timetable. It is not inconceivable that an attempt will be made to bring Yugoslavia back into the bloc as a full member and active participant in both the Council for Mutual Economic Assistance and the Warsaw Treaty Organization.

Spokesmen in Belgrade appear to be genuinely worried about this possibility and they remain

cautious to avoid offending Soviet leaders. In a speech to a plenary meeting of the LCY Central Committee, the secretary of its presidium, Dušan, Drgosavac, mentioned "armed military intervention" (read: Afghanistan) and Brezhnev's "theory of limited sovereignty" (promulgated to justify ex post facto the Soviet invasion of Czechoslovakia in August, 1968). Dragosavac announced that Yugoslavia would strengthen its defense and police forces. These measures, of course, will adversely affect a country already suffering from a 30 percent annual inflation rate, more than 12 percent unemployment, a \$6-billion trade balance of payments deficit anticipated during 1980,

(Continued on page 104)

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<sup>\*\*\*</sup>International Investment Bank and International Bank for Economic Cooperation, both CMEA agencies.

<sup>&</sup>lt;sup>24</sup>M.M. Drachkovitch, "Yugoslavia: Growing Problems After Tito?" Christian Science Monitor, June 20, 1980.

<sup>&</sup>lt;sup>25</sup>Belgrade radio, June 11, 1980; and *Borba* (Belgrade), June 13, 1980.

"Moscow's forward policy' in the Middle East has gravitated toward targets of opportunity. The Soviet takeover in Afghanistan is consistent with the opportunism that has characterized Soviet policy during the past generation. Armed with a growing military capability, Moscow is less constrained, less willing to resist temptation."

# Soviet Imperialism in Afghanistan

BY ALVIN Z. RUBINSTEIN

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OVIET imperial policy in the Middle East showed its brutal expansionist side in Afghanistan in December, 1979, when Soviet troops invaded that neighboring country in order to keep the pro-Soviet Communist regime in Kabul in power. The invasion marked a new stage in the evolution of Soviet policy in the Middle East. Its ripple effect will be felt for years to come, not only in that region but also in relations between the Soviet Union and the United States.

In general, Soviet policy in the Middle East has been directed toward the four main regional subsystems. First, the Soviet Union was attracted to the Arab-Israeli sector of the Arab world. The 1955 Soviet arms deal with Egypt enabled the Kremlin to establish a relationship with an anti-Western Arab regime —its first such success in the Arab world. During the 1960's and 1970's, Moscow remained very much a patron protector of Egypt. Several times it saved the Egyptian leadership from defeat at the hands of Israel. Under Egypt's President Anwar Sadat, however, after the 1973 October War Egypt turned to the West to the annoyance of Moscow, which lost its once strong foothold there. In March, 1976, Sadat further humiliated Moscow by abrogating the Soviet-Egyptian treaty of May, 1971. Partially to compensate for this setback, the Soviet Union funnels weapons to the Rejectionist Front Arab states, who oppose Sadat's policy of making peace with Israel and normalizing relations with the United States. By providing them with arms, Soviet leaders seek to foster anti-American policy and, at the same time, enhance their own attractiveness to Arab regimes.

Second, the Soviet Union has developed an interest in the North African littoral. It courts Libya, whose anti-Western and anti-Egyptian policy suits Soviet purposes; and it seeks to develop ties with Algeria. Soviet objectives in this sector are to foment anti-Westernism, to supply weapons and thereby earn much needed hard currency, and to obtain the use of air and naval facilities for the forward deployment of the Soviet Mediterranean Fleet.

Third, and of enormous importance since the

energy crisis began to dominate international politics' in the mid-1970's, the Gulf and Arabian Peninsula region have become prime targets of Soviet attention. Moscow's initial entry into this region occurred in 1958, in the wake of the military coup that toppled the pro-Western Hashemite monarchy in Baghdad and ushered in a series of anti-Western and radical military dictatorships, all supported by Moscow. The Soviet-Iraqi relationship is a checkered one, but since the early 1970's (a treaty of friendship was signed in April, 1972) each has derived enough benefit to tolerate disagreements. The fall of Iran's Shah in February, 1979, the subsequent turmoil that brought Iran to the brink of anarchy and internal disintegration, and the imminent Soviet need for Middle Eastern oil have whetted the Kremlin's interest in the area. Moreover, if the Soviet Union could induce Saudi Arabia to shift from reliance on the United States to nonalignment, Soviet foreign policy would become enormously more influential in this oil-rich region. Moscow knows that the way to assure Soviet hegemony in Europe is to acquire leverage over the flow of oil from the Gulf and Arabian Peninsula.

Fourth, and perhaps most important, the Soviet Union has been trying to neutralize the countries on its southern border—Turkey, Iran and Afghanistan. In the years after Stalin's death in 1953, detaching these Muslim non-Arab countries from alliance or close ties with the United States was the principal Soviet objective in the Middle East.

The roots of Soviet interest in Afghanistan can be traced to the "Great Game" of power politics between Russia and Britain. In 1807, the Treaty of Tilsit temporarily united Czar Alexander's Russia and Napoleon's France in a military alliance. Subsequently, the British, fearing a French invasion of India through Persia, tried to conclude an alliance with the decaying Durrani Empire. However, Afghanistan was then in turmoil, and with the defeat of Napoleon the need for an Afghan-British treaty disappeared.

The nineteenth century was characterized by rapid Russian imperial and British expansion. Russia captured most of the Caucasus from Persia and conquered the Central Asian Muslim khanates of Khiva, Bokhara and Samarkand. British fears of a Russian thrust toward India through Persia led to the Anglo-Afghan wars of 1839-1842 and 1879-1880, which gave Britain control of Afghanistan's foreign policy. British intervention, however, also sparked a fierce Afghan resistance and a desire for isolationism, out of which emerged Afghanistan's policy of neutrality.

By the 1890's, Russia's expansion had reached the Oxus River, the northern border of Afghanistan. British fear for the security of its Indian Empire increased, dominating Britain's strategy until 1947, when India and Pakistan won their independence. Russia's defeat in the Russo-Japanese war of 1904-1905 and Britain's concern over the growing challenge from Germany led the two former adversaries subsequently to negotiate a far-reaching détente. In 1907, Russia and Britain agreed to respect a buffer role for Afghanistan; they confirmed the status quo with respect to Afghanistan and along the entire Central Asian periphery. The boundaries endure, though the power relationships have drastically changed.

When World War I broke out, Amir Habibullah proclaimed Afghanistan's neutrality; he successfully rejected British pressure and Turkish-German blandishments. His son, Amanullah, who came to the throne on the death of his father in 1919, obtained Britain's formal recognition of Afghanistan's full independence in 1921. In 1926, Afghanistan concluded a Treaty of Reciprocal Neutrality and Non-Aggression with the Soviet Union. Throughout the 1930's, Afghanistan remained neutral. During World War II, British and Soviet pressure forced the Afghans to break with the Axis powers, but Kabul nonetheless reaffirmed its commitment to neutrality. Soviet-Afghan relations were distant but correct, as long as Afghanistan was content to remain backward and weak relative to its neighbors. But with the departure of the British from India and the establishment of India and Pakistan as nation-states, Afghanistan started to press claims to the Pashto-speaking tribal areas of Pakistan, and this policy intensified its desire for modernization, especially for modern weapons. Ironically, this covetous course was to end in subjugation to the power that did the most to feed Afghan ambitions, namely, the Soviet Union.

#### **MOSCOW COURTS KABUL, 1954-1978**

The Soviet courtship of Afghanistan began in 1954 as part of Nikita Khrushchev's overall policy of improving relations with Turkey, Iran and Afghanistan and undermining the United States policy that sought to ring the U.S.S.R. with countries allied to the West. Sensitive to the xenophobia of its weak, semifeudal, traditionalist neighbor, the Soviet government proceeded slowly. Agreements were signed calling for

Soviet construction of two large grain elevators, a flour mill, a bread-baking plant, and road-building equipment. Other economic and social projects began in rapid succession: an oil pipeline, oil storage tanks, a hospital. Moscow gained considerable prestige by paving the streets of Kabul. Trade expanded, and by the 1960's, Soviet domination of Afghanistan's foreign trade cemented closer political ties.

However, the military relationship was far more important. Afghan-Pakistani tension prompted Afghanistan to seek arms from the Soviet Union. Moscow was not only a generous provider, but it sided with Kabul against Pakistan on the Pushtunistan border issue. The Soviet policy of friendship with Afghanistan had several objectives: to prevent the possibility of Afghanistan's joining any United Statessponsored alliance; to create in Afghanistan a showcase of Soviet aid projects as a way of demonstrating to other third world countries the benefits of closer ties with the U.S.S.R.; to offset Chinese inroads; and to draw Afghanistan more intimately into the Soviet sphere of influence, into what Soviet leader Leonid Brezhnev was to term in 1969 a "collective security system for Asia."

The Afghan drift toward the Soviet Union was the result of two factors: desire of the leadership to bring Afghanistan economically and socially into the twentieth century (the country lacked roads, schools, industry, hospitals and trained personnel); and the quest for a modern army to offset the United States buildup of Pakistan. In their absorption with border tensions with Pakistan, Afghan leaders forgot the danger that loomed from the Communist colossus to the north. From 1954 to 1963, the impetus to modernize the army with Soviet weapons and advisers came from Premier Mohammad Daud, the King's cousin. In 1964, King Mohammad Zahir Shah, who had come to the throne after the assassination of his father in 1933, removed Daud, introduced the country's first constitution and tried, ineffectually, to take the royal family out of ministerial politics.

The King proved to be a reluctant reformer. He held a tight rein and kept the Parliament subordinate. The constitution permitted greater political expression, but prohibited political parties, leaving the opposition frustrated, fragmented and prone to go underground. Modernization proceeded fitfully, enough to stimulate demands for a greater role in policy-making but inadequate to satisfy the social groups that it spawned. Meanwhile, Afghan dependence on Soviet economic aid grew. One consequence of Soviet aid was the development of an efficient system of communications through the previously formidable Hindu Kush mountains, which facilitated the Soviet invasion of 1979.

A serious drought in 1970-1972 retarded economic development and heightened social tensions. In July,

1973, when a group of army officers staged a coup and brought Daud back to power, a republic was established and the King went into exile. Instead of democratizing the system and pressing reforms, Daud acted very much like the autocrat he was. Moscow was quick to recognize the new republic, although there is no evidence that it was responsible for toppling the monarchy. True, the officers involved had been trained in the Soviet Union. However, the belief is widespread that they were not pro-Communist. When Soviet President Nikolai Podgorny visited Kabul in December, 1975, Daud declared that "active and positive neutrality and peaceful coexistence represent the foundations of our foreign policy and mirror the resolve and peacefulness of the Afghan people."

Nonetheless, although he followed the traditional Afghan policy of "positive neutrality," Daud gave guarded and reluctant support to Moscow's "collective security" proposal for Asia. He went out of his way to allay Chinese fears that Afghanistan would end its independent position and tilt toward the Soviet stand on the Sino-Soviet rift. But, increasingly, good relations with Moscow were mandated by a need to placate the pro-Soviet officers in his government. Nor could Afghanistan exploit Pakistan's difficulties in its Pushtu and Baluchi tribal areas because of the growing dependence on Iranian economic support (the Shah dissuaded Daud from a policy that might have destabilized Iran's border with Pakistan). Daud sought unsuccessfully to diversify his internal and external sources of support.

#### THE COMMUNISTS SEIZE POWER

On April 27, 1978, the Communists seized power in a bloody military coup. Estimates of the number killed vary from 2,000 to 10,000, including Daud and most of his family. The key to the coup's success was the support of important elements in the Afghan army and air force. Completely dependent on Soviet arms, the Afghan military corps was honeycombed with clandestine Communist agents and cells, although non-Communist officers may also have favored an end to the rule of the Mohammadzai clan and an acceleration of social and economic change.

The leadership was subsequently in the hands of the People's Democratic Party (PDP), headed by Nur Muhammad Taraki. Originally known as the Democratic Party of the Masses, the PDP was established in January, 1965, with Taraki as general secretary. The party later became known as the Khalq, after the name of its newspaper, which was banned the following year. The small membership split in 1968, and the seceding group became known as Parcham. In general, the Parchamis drew their members from the Persian-speaking part of the population and student groups; the Khalqis, from among the majority Pashtospeaking sector and rural elements. Both followed a

pro-Soviet line. In 1977, before the revolution, Moscow succeeded in bringing the two factions together in one united PDP. Once in power, the two cooperated briefly; Babrak Karmal, a Parchami, was made vice chairman of the Afghan Revolutionary Council and Vice Premier.

The honeymoon ended in July, 1978, when Taraki purged Babrak Karmal and two other Parchamis, Noor Ahmad Noor and Anahita Ratebzad, posted them abroad as ambassadors, and soon afterward declared them traitors. (All found refuge in East Europe and returned with the invading Soviet troops in December, 1979.) Taraki also purged many of the military officers who had brought him to power.

Along with the political purge of the Parchamis, Taraki pressed radical economic and social changes with a zeal that alienated rural tribal groups, religious leaders and the urban middle class. Incarceration and the forced retirement of administrators from the Daud regime resulted in a shortage of trained personnel; in consequence, the reforms were implemented in haphazard and insensitive ways. Indeed, Taraki seemed bent on provoking widespread opposition to his regime; for example, he changed the flag, replacing the Islamic green flag with a red flag carrying a star just like that of the Soviet republics. The Khalq was "dizzy with success" in its efforts to accelerate communication.

Taraki drew Afghanistan even closer to the Soviet Union. On December 5, 1978, a 20-year treaty of friendship and cooperation was signed in Moscow (similar to the one Moscow had concluded with Vietnam the previous month). Article 4 (which was subsequently cited by Moscow to justify its invasion in December, 1979) calls on the parties to "consult each other and take agreed and appropriate measures to ensure security, independence and territorial integrity"; and Article 8 calls on them to create "an effective security system in Asia"-a proposal Moscow has been pushing since 1969. For the first time in Soviet-Afghan history, Moscow had apparently reached its goals of ideological congruence and strategic alliance. To buttress the new relationship, Moscow sent Taraki arms, aid and advisers.

However, the durability of Afghanistan's foreign policy was put into question by growing internal resistance to the regime. By the spring of 1979, a general rebellion had spread from the remote province of Nuristan to most of the country. Representatives of the largest tribes, the Mohamand, Afridi and Waziri and Yusofzai were joined by refugees from Kabul, representing dissidents of all colors: royalists, republicans, high-ranking army officers, and even apolitical technocrats. Religious leaders proclaimed a *jihad* (holy war) against the government. The insurrection was serious, and in April, 1979, a high-ranking Soviet military mission made a hurried visit.

After the purge of the Parchamis in July, 1978, the leadership of the Khalq showed increasing divisiveness, as much over personality as tactics. Hafizullah Amin, who had played a key role in engineering the April coup, became Deputy Prime Minister when Babrak Karmal was exiled, and then Prime Minister, in March, 1979. As the internal situation worsened, so did the Taraki-Amin feud, which came to a climax in September, 1979.

After stopping off for consultations in Moscow on his way home from the conference of nonaligned states in Havana, Taraki returned to Kabul with Brezhnev's assurance of the Soviet Union's unselfish aid, which may have included an agreement to purge Hafizullah Amin. In a shootout the day after Taraki's return, it was Taraki who was killed (an official announcement of his death was made on October 9) and Amin who took over. Unabashed by this turn of events, the Kremlin sent Amin congratulations: "We express confidence that fraternal relations between the Soviet Union and Afghanistan will be further developed successfully on the basis of the treaty of friendship, good neighborliness, and cooperation." Despite growing uneasiness, it supported his harsh and ineffective attempts to stamp out the spreading rebellion. By December, Soviet military personnel in Afghanistan had increased to about 5,000. The Kremlin's moment of truth was approaching: it could choose either to pull back and accept the fall of the Communist regime and a return to a non-Communist and probably anti-Soviet government, or it could intervene massively.

#### SOVIET INTERVENTION

On December 23, 1979, *Pravda* carried an article whose beginning was printed in bold type:

WESTERN, AND PARTICULARLY AMERICAN, MASS MEDIA HAVE RECENTLY BEEN DISSEMINATING DELIBERATELY INSPIRED RUMORS ABOUT SOME SORT OF SOVIET "INTERFERENCE" IN AFGHANISTAN'S INTERNAL AFFAIRS. THINGS HAVE EVEN GOTTEN AS FAR AS ALLEGATIONS THAT SOVIET "COMBAT UNITS" HAVE BEEN INTRODUCED IN AFGHAN TERRITORY."

The next day, the truth of these "rumors" and "transparent fabrications" was demonstrated, as a Soviet division was airlifted to Kabul. On December 27, Soviet troops poured across the border. Amin was executed and Babrak Karmal (still in Moscow) was installed in office. On December 30, Moscow justified its intervention, citing Article 4 of the 1978 Soviet-Afghan treaty, "imperialist" agitation and plots against the revolution, and Amin's putative ties to the CIA. Soviet combat troops quickly seized control of the cities and main roads, but the ferocity of Afghan

guerrilla resistance suggests that pacification will be long and costly.

On April 4, 1980, Moscow announced the ratification of a Treaty on the Temporary Stay of the Limited Soviet Military Contingent on Afghan Soil, the first indication the outside world had that a treaty institutionalizing a Soviet military presence was being negotiated. Like the Soviet-Czechoslovak treaty of October, 1968, which legalized the presence of Soviet troops in Czechoslovakia after the Soviet military intervention of August, 1968, the treaty with Afghanistan is assumed to grant Soviet forces and their dependents extraterritorial privileges and immunity from local laws.

The Soviet invasion has been widely condemned. On January 7, 1980, the U.S.S.R. vetoed a U.N. Security Council resolution that deplored the "armed intervention" in Afghanistan and called for the "immediate and unconditional withdrawal of foreign troops." The vote was 13 to 2 against the Soviet Union. Meeting in emergency session, a week later, the General Assembly called for the immediate and unconditional withdrawal of foreign troops from Afghanistan to allow the Afghan people "to determine their own form of government and choose their economic, political and social systems free from outside intervention, subversion, coercion or constraint of any kind whatsoever." The vote was 104 to 18 against the Soviet Union, with 18 abstentions.

Conferences of Islamic countries have denounced the Soviet action (although some of the radical Arab states, eager for Soviet support and weapons, have avoided antagonizing Moscow). During the spring, the British suggested that Afghanistan might be recognized as a neutral state. The Soviets implied they would be willing to withdraw on several conditions, including a promise from Iran, Pakistan and the United States that there would not be any attempt to intervene in Afghan affairs, but Moscow never spelled out in detail its supposed terms for a withdrawal. The likelihood is strong that Soviet troops will remain for a long time to come.

The Soviet invasion may have been prompted by several factors: disillusionment with detente and the prospects for a Strategic Arms Limitation Treaty (SALT II); fear that the Muslim areas of Soviet (Continued on page 103)

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<sup>&</sup>lt;sup>1</sup>Foreign Broadcast Information Service (FBIS), Soviet Union, December 26, 1979, p. D1.

As Soviet leaders "seek to reshape trade policy, they may find that they no longer have the freedom they once had and must continue to import American corn, some raw materials, and Western technology, regardless of the consequences. For those who hope that the Soviet Union will ultimately find itself part of the international family of nations on a regularized basis, this will be welcome."

### Soviet Trade Policy

BY MARSHALL I. GOLDMAN

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He time this issue is printed, Soviet President Leonid Brezhnev may have died or have been replaced. If not, it should only be a question of months before such a change is made. The political succession is likely to have a significant impact on a vast range of Soviet policies; after all, the Soviet Union has had only three or four different administrations since 1950 and none since 1964. Regardless of how collective decisions of the Soviet leadership have been made, it would be strange if a new leadership failed to make its own imprint on Soviet economic and political policies.

A review of events in 1979 and 1980 suggests that policies in several important areas have already been altered, reflecting new priorities. New policies are influenced not only by decisions of the Soviet leadership, but by events in the outside world. Foreign trade is a particularly good example of where the two forces interact. Soviet foreign trade policies are dependent not only on the availability of Soviet goods for export and the Soviet need for imports, but on the attitudes of other countries. Trading partners are, in turn, affected by political as well as economic considerations. Until recently, a mutual desire for détente increased the volume of trade. However, a surge of human rights violations capped by the invasion of Afghanistan has led several trading partners in the non-Communist world to cancel or at least to moderate important trade initiatives.

What has been the effect of this post-Afghanistan tension and what impact will it have on the emerging Soviet leadership? To what extent do these changes in Soviet foreign trade policy foretell the direction of other Soviet policies?

Because Soviet foreign policy has always been a closely regulated monopoly of the state through the foreign trade organizations of the Ministry of Foreign Trade, Soviet exports and imports reflect Soviet political trends as well as world economic fluctuations. Thus after World War II, the increase in Soviet trade volume was modest, in comparison with trade in the mid-1930's and by world standards. More important,

the increase was limited almost entirely to the newly declared Communist regimes in East Europe and China. Initially, the Soviet Union was very dependent on East Europe, which supplied the Soviet Union with machinery, oil and coal. But as the Soviet Union began to recover from the devastation of war, its productive capabilities increased and so did its exports, particularly of raw materials.

In contrast, Soviet trade with the capitalist world was limited. Recently, some observers have argued that this was due as much to American and Western as to Soviet policy. However, evidence indicates that more than anything else the decision to limit contacts with the West was Stalin's. Reflecting this is the fact that nations like Sweden, which remained outside American influence, had a trade volume only slightly higher than that of more compliant countries like the United Kingdom and France. Nonetheless, as the cold war intensified, the West, led by the United States, adopted very strict trade controls that barred the export of most strategic goods and sought to isolate the Communist world from the West.

In 1952, Stalin announced what seemed to be a change in attitude, convening an international trade conference in Moscow to which Westerners were invited for the first time. But this opening was apparently only temporary and it was not followed by any substantive transactions.

It was only with Nikita Khrushchev's rise to power that any significant opening to the West took place. In March, 1959, Khrushchev concluded that in order to increase agricultural yields, the Soviet Union would have to increase fertilizer production. However, to increase fertilizer production, the Soviet Union needed a substantial increase in the size and capability of its chemical industry. Accordingly, in March, 1959, Khrushchev ordered the Soviet Union to embark on a drive to build up a chemical industry. In a manner calculated to stir memories of Lenin's assertion that "electricity plus the Soviets" would bring communism, Khrushchev proclaimed that "electricity plus chemicalization plus the Soviets would bring

communism." Unfortuntely, the Soviet Union lacked the capability to build up its own chemical industry. Instead, it had to import equipment.

The next few years brought a surge of Soviet contracts for Western companies, the first since the non-war peak of trade in the early 1930's. But the flow of orders proved temporary. After the bad grain harvest of 1963, hard currency had to be saved for grain imports. Even more important, Khrushchev was suddenly purged, as a result of what was called his "hare-brained ideas." Not surprisingly, Khrushchev's successors declared a moratorium on many of Khrushchev's initiatives, including the expansion of foreign trade. Thus from 1964 to 1967 there was a noticeable fall-off in hard currency (that is, Western) orders.

#### A NEW APPROACH

After a thorough assessment of Soviet foreign trade policy, in April, 1966, Premier Aleksei Kosygin concluded that if Soviet industry were to be modernized, the Soviet Union would have to increase its imports of foreign technology. However, he criticized many of the non-chemical industry imports of the pre-1966 period. Traditionally, Soviet engineers had followed a policy of reverse engineering. Soviet importers would buy a single prototype of an advanced foreign product. They would then attempt to determine how it was manufactured and set up a production line of their own.

The theory was that although such a procedure was more time consuming and risky, it would be cheaper. However, after reexamination, Kosygin decided that reverse engineering was a mistake. He believed that it would not only be more efficient, but would ultimately be cheaper, to buy the turnkey manufacturing plants and technology in the usual capitalist way—that is, to contract to have the suppliers furnish the complete plant. Thus, beginning in August, 1966, with the signing of an impressive contract with Fiat of Italy to build a massive automobile assembly plant at Togliatti, the Soviets moved rapidly to buy Western technology; in 1968, trade volume rose sharply with most of the West European countries and Japan.

The one holdout from this new trade policy was the United States. American public opinion had not reconciled itself to the end of the cold war. While the American standoffishness offended some Russians, it suited others, who were distressed by what they viewed as the callous American behavior in Vietnam. Consequently, they were surprised when President Richard Nixon (of all people) announced that he had been invited to Moscow in May, 1972, just after the United States decided to blockade Haiphong harbor and resume the bombing of North Vietnam. However hypocritical his visit may have been, it led to a

noticeable improvement in United States-Soviet relations and marked the beginning of what we came to call "détente."

#### **U.S.-SOVIET DETENTE**

In the expectation of great things to come, in 1972 the United States and the Soviet Union signed a trade agreement setting out mutual concessions. While some of the expectations about trade levels were realized, especially grain sales, many concessions were never fully implemented. Before the Soviet Union could avail itself of Most Favored Nation (MFN) status, for example (tariffs that were no higher than those of our most favored trading partners), the United States Congress insisted that the Soviet Union would have to begin allowing the emigration of as many as 60,000 to 70,000 people (mostly Jews) a year. This stipulation was embodied in American law as the Jackson-Vanik Amendment to the United States Trade Administration Act of 1975.

Amazingly enough, whereas before 1970 the Soviet Union seldom allowed more than a few hundred emigrants to leave a year, by 1973, Soviet officials were allowing the emigration of 30,000 a year, and there were clear signs that (while they were still unpleasant about how they processed those emigrants) they had become considerably more accommodating. Many viewed this change in Soviet emigration policy as a desire to win favor with the American business community and with Congress. In any event, Soviet purchases from the United States increased sharply. Whereas most Soviet industrial purchases had been made in West Europe and Japan, by the beginning of 1972 many American manufacturers were signing substantial contracts. In particular, American manufacturers played an active role in supplying the equipment for projects like the billion dollar Kama River truck plant, pipeline and railroad construction, and a series of ammonia and chemical

In agriculture, the Soviets began by purchasing American wheat to supplement periodic harvest shortfalls, but they soon began to make annual purchases of feed grains in order to build up a livestock herd. By the late 1970's, they were purchasing as much as 10 million tons of corn a year from the United States even when the harvest was good. Because the Soviet Union is located too far north to grow enough corn, and because the United States is virtually the only country in the world that can produce enough surplus corn to supply Soviet livestock needs, the decision to build up a livestock herd committed the Soviet Union to what was in effect a perpetual import dependency on the United States.

All this was a marked departure from the traditional Soviet policy of autarky. Opening the country to foreign technology meant a continuing dependence

on the supply of foreign spare parts; increasing the livestock herd meant a continuing dependence on foreign feed grains. In the same way, the Soviet Union turned to other suppliers for imports of almost half its bauxite and alumina. Like other industrialized countries, the Soviet Union began to discover that it was not so self-sufficient as it had once been. As Soviet deposits became depleted, the Soviet Union needed raw material imports to sustain production. The Soviet Union also began to import natural gas from Iran and Afghanistan, more for regional convenience than because of any serious material shortage. After all, the Soviet Union has 40 percent of the world's reserves of natural gas and is currently the world's second largest producer and exporter. Gas imports were small, less than three percent of total Soviet production; but to the local users, particularly in Armenia and Georgia, these supplies were important.

Compared to other countries, exposure of such a limited sort would hardly be termed a pro-foreign trade posture. After all, Soviet exports (both to convertible and non-convertible countries) amounted to less than three percent of the Soviet gross national product (GNP). Nevertheless, by traditional Soviet or even Russian standards, this was a marked departure from the even more autarkic policy of the past and, in the minds of some Soviet critics, exposed the Soviet Union to a high degree of vulnerable interdependency.

Such fears were not all fantasy. By the late 1970's, some of the great expectations for trade had become bitter disappointments. Western technology was not always easily or efficiently absorbed into the Soviet system. There were countless instances where imported machinery was left standing in the open for months; it would then frequently be cannibalized by Soviet spare-parts seekers. Moreover, when the equipment was finally installed, it was rare that it operated at the rate of more than 40 percent of the efficiency of comparable machinery in the United States. Forty percent was almost always an improvement, but imported technology did not prove to be the panacea for Soviet production difficulties. There were also instances where the equipment could not be made to function at all. Reportedly hundreds of millions of dollars worth of equipment from one United States manufacturer for the construction of ammonia plants could not be put into production and the plants even now cannot be made to function. This so infuriated Premier Kosygin that in 1979 he personally called for a reassessment of Soviet import policy, demanding performance guarantees on all new purchases, a condition that few Western suppliers dared to provide. As a result, Soviet Ministry of Trade officials have been taking a harder look at all Soviet import requirements; thus despite inflation, the value of non-agricultural Soviet imports from hard currency countries has increased only moderately in recent years.

The Soviet advocates of foreign trade were dealt serious blows after the overthrow of the Shah of Iran and the embargo on American grain sales in 1980. The new government of Iran disrupted and ultimately cut off the flow of natural gas to the Soviet Union in late 1978. While the country as a whole did not suffer, the gas cutoff proved to be a terrible inconvenience for the Soviet republics that had become dependent on regional supplies, especially because the winter of 1978-1979 was one of the coldest winters in a quarter of a century. Under Ayatollah Ruhollah Khomeini, the Iranians also announced the suspension of plans for the construction of a second natural gas pipeline that would have involved a massive and expensive trade arrangement with West Europe as well.

Even more important, the restriction of American grain sales to the Soviet Union threatened the survival of Soviet livestock herds and this more than anything else called into question the wisdom of exposing the Soviet Union to the uncertainties of foreign trade and the political whims of the United States. Undoubtedly the advocates of autarky in the Soviet Union have gained new strength and will be a force to contend with in any successor government.

#### **ENERGY NEEDS**

But whether Soviet officials want to or not, some Western analysts argue that the Soviet Union will not have much choice about whether it should trade. As these observers see it, the Soviet Union needs Western technology if it is to increase its industrial productivity and if it is to sustain its production of raw materials. The Soviet Union needs Western equipment to sustain its raw materials output, particularly the technology needed to find, develop and drill its petroleum deposits.

This will become even more important if, as the United States Central Intelligence Agency (CIA) has predicted, the Soviet Union and its East European allies are forced to import a maximum of 3.5 million to 4.5 million barrels a day (mbd) of petroleum. The CIA subsequently reduced its estimate of how much the Soviet Union and East Europe will have to import; but even if Soviet import needs are reduced to one million barrels a day (mbd), that will cause it enormous economic difficulty. In this event, the Soviet Union would cease to be self-sufficient and would lose its most important export product, which it needs to pay for its imports. Despite the fact that the Soviet Union is the world's second largest industrial power, virtually no one in the hard currency world wants its machinery. Consequently, only countries without the choice provided by hard currency are normally willing to buy Soviet equipment. Instead, about 85 percent of all Soviet hard currency exports (other than military equipment and gold), consists of raw materials. Of this, the largest share—over 50

percent—is generated by petroleum. It is not entirely inappropriate to say that petroleum is to the Soviet Union what coffee is to Colombia—that is, that the Soviet Union, despite its economic power, is a one-crop economy.

If the Soviet Union had not exported petroleum in 1979, its hard currency export earnings would have fallen by half, from \$11 billion to \$6.5 billion. If at the same time it were forced to import as much petroleum as some extreme CIA predictions indicate, the Soviet import bill would grow to between \$50 billion and \$58 billion, leaving an annual trade deficit of between \$44 billion and \$52 billion. It is unlikely that an annual trade deficit of that magnitude could be sustained for long by the Soviet Union, because no one would lend it the money. Therefore, it is likely that the Soviet Union will move vigorously to sustain petroleum output and at the same time to increase its output of alternate fuels and to emphasize conservation. Reflecting this necessity, the Ministry of Trade has increased the share of mining and raw material producing equipment in its total import package; these purchases have been sustained despite the general leveling off of industrial imports.

If it can sustain its production of petroleum, the Soviet Union will have little trouble in paying its import bill. For that matter, it may even be able pay the bill while reducing the quantity of petroleum exports. Thus, after the 1979 OPEC (Organization of Petroleum Exporting Countries) price increase during the first six months of 1979 the Soviet Union apparently reduced its petroleum exports by 20 percent, while at the same time increasing export earnings by 30 percent. Subsequently, petroleum exports for all 1979 seemed to reach or exceed 1978 levels, so that ultimate earnings for the year rose by almost 40 percent.

#### **FUTURE DIFFICULTIES**

The evolution of Soviet foreign trade policy has not always followed a predictable course; thus it is all but impossible to predict what Brezhnev's successors will do. Nonetheless, whatever they do, Soviet planners must work with certain restraints. If they are to continue or expand their imports, they will have to sustain or increase their exports. Ideally, the Soviets would prefer that more and more of those exports, especially to the hard currency countries, should be of manufactured goods with considerable value added—that is, a large portion of the value of the goods should derive from the manufacturing not the mining process. That after all is the goal of all countries. Unfortunately, the Soviet Union has had a good deal of difficulty in trying to reach that goal.

Not surprisingly, the likelihood is that they will also produce poor quality goods for export. Moreover, all the problems that plague domestic industry, like poor service and the lack of spare parts, will inevitably affect exports as well. More than any other factor these shortcomings explain why the Soviet Union has difficulty selling manufactured goods in hard currency markets. Where customers have a choice, they usually buy other goods. The only advantage the Soviets have is the low price they are generally willing to accept. That sometimes offsets poorer quality. When the customers in a developing country have no choice because they lack hard currency, they are more receptive to Soviet goods, because they would otherwise be unable to buy anything. This explains why the Soviet Union is the world's largest exporter of machine tools, but only to East Europe and the developing countries.

Before the Soviets can crack the hard currency markets, they will have to undertake a far-reaching reorganization of their planning and production systems. The most recent reforms have focused on finding ways of encouraging managers to produce higher quality equipment and equipment that is energy and raw material efficient. Soviet leaders are trying to switch from a system that tends to reward manufacturers who produce goods with a high gross ruble sales value to a system that establishes norms for value added and tends to discourage the excessive use of raw materials by increasing prices for those raw materials, especially hydrocarbons. Soviet leaders are gearing up to introduce their first wholesale price revision since 1967. They call for the reform to be implemented as of January, 1982—an incredible 15 years after the last reform. Their planners promise that price reforms henceforth will be made every five years. If they hold to their promise, this will certainly be an improvement, but hardly enough to eliminate their pricing problems.

Soviet leaders are also trying to improve their exporting and importing procedures. The foreign trade organizations (FTO's), the actual importing and exporting monopolies under the Ministry of Foreign Trade, have been restructured to try to make them more responsive to the end producer and end consumer needs. For the first time their boards of directors are being enlarged to include members from the industrial ministries. Moreover, the FTO's will be expected to operate on a more businesslike basis so they can make a profit.

These reforms may be of some help, but in and of themselves they are probably not enough. What is (Continued on page 102)

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"Soviet food imports are . . . a symptom of underlying difficulties in the Soviet agricultural and food system. . . . The farm system is in part responsible . . . because of its bureaucratic approach and its insistence on large-scale production units . . . ."

# Soviet Agriculture in 1980

#### BY FOLKE DOVRING

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S the Soviet economy matures, with high industrialization and rising mass consumption, its agriculture shows increasing difficulty meeting the food bill that corresponds with current levels of spendable consumer income. A command economy on the face of it, the Soviet system has enough built-in features of a market-determined economy to make authorities sensitive to rising pressures from unsatisfied consumer demand. Official food prices are kept below the cost of production—they are subsidized to avoid overt pressures of inflation.1 The regulated market for food is modified, however. Not only the legal selling of produce from private plots, but a pervasive system of illegal transactions, ranging from black-market resale to theft of public property, alter the results of economic plans and allow "repressed inflation" to work its way into private spending. The resulting pressures are strong enough to lead the authorities to try hard to increase the supply of

Soviet food imports are also a symptom of underlying difficulties in the Soviet agricultural and food system. Pressures on resources and rising unit costs of production are not all due to natural resource limitations. The farm system is in part responsible for the pressures, because of its bureaucratic approach and its insistence on large-scale production units when most of world agriculture functions well on family-sized farms. The resulting capital intensity leads to very high costs of production; and the marketing system further complicates the outcome.

Consumer demand for food is one of the few invariants we can observe in applied economics. Engel's Law (from Ernst Engel, 1821—1896) applies universally: as incomes rise, the percentage spent on food declines but the absolute amounts spent on food go on rising. There is more: we now know that the

"Engel function" (the rates at which consumers tend to spend their income on food) is virtually the same everywhere. On the same level of real spending, food expenditure becomes a predictable fraction of the family budget. Appetite is no limit: with rising income, more and more is spent on luxury foods.

This applies the world over, with small variations because of eating habits and accounting conventions in the statistics. It applies to the people of the Soviet Union. They once lived on a diet dominated by bread, potatoes and milk—healthy but drab. Sugar was the immediate luxury, now close to being satisfied. Meat is the current unfulfilled desire; fruits and vegetables of luxury quality are even higher on the demand scale but not yet within everyone's reach. Current economic pressure centers on meat. "Inflation feeds on red meat," they said in France in the 1950's, when the supply of beef and veal rose more slowly than consumer demand and each wave of inflation seemed to begin in the butcher shops. Meat shortage might increase internal tensions in the Soviet Union more than any other single factor. Hence the supply of feed grain is a prime political issue, one which may or may not afford the United States some leverage on the Soviet Union, depending on the 1980 Soviet grain harvest.

The Soviet Union is the largest country in the world: one-sixth of the land area of the planet. Much of it is cold or low-fertile, but it has more cropland than any other country. Pasture areas are also very large, although they are mostly of low productivity. Soviet agricultural production is second only to that of the United States. Crop production may be in third place, after China.<sup>2</sup>

Climate not only limits the yields of many crops, it also limits the scope of some of the highest yielding crops, like corn and sorghum, as well as some high-value crops like citrus fruits. Other intensive enterprises, e.g., cotton, are confined to a narrow region (Central Asia's irrigated lands, in this case). Weather variability leads to wide swings in crop yields—even more so since the yields have risen in recent decades.

The total natural agricultural potential of the Soviet Union is no doubt smaller than in the United States. In itself this would not prevent the further intensifica-

<sup>&#</sup>x27;See M. Elizabeth Denton, "Soviet Consumer Policy: Trends and Prospects," in *Soviet Economy in a Time of Change*. A compendium of papers . . . (96th Congress, 1st session, Joint Committee print, 1979), vol. 1, pp. 759-789.

<sup>&</sup>lt;sup>2</sup>See articles by Douglas B. Diamond and W. Lee Davis, David Carey and Joseph F. Havelka, David Schoonover, and Michael D. Zahn in the same publication (see note 1), vol. 2.

tion of land use. Use intensity is certainly not on the level of West Europe, and Soviet authorities are planning for even higher resource-use intensity and for higher efficiency in the use of resources.

#### SLOWER GROWTH

The period of rapid agricultural expansion that began in the mid-1950's has ended. Along with the economy as a whole, Soviet agriculture has settled into a pattern of slow growth that may still be decelerating. The plateau that is visible in the early 1980's includes some striking achievements and some puzzling problems.

Soviet agricultural production is now on a quantitative level of about 80-85 percent of that of the United States. The proportion is hard to pin down, because any comparison must be based on a set of comparable prices, and neither country's prices are fully relevant to the other. The United States maintains substantial net agricultural exports; the Soviet Union has sizable net food imports. With 15 percent more people, more production would be needed to maintain the same food standard. But that should not be needed in the Soviet Union today because when per capita income is lower, the demand for food should also be lower. Not in proportion, but in a way that relates to the elasticities of demand: with per capita income in the Soviet Union about half, Soviet per capita spending on food should be about three-fourths that of the United States. That spending may purchase the same nutrient value but fewer luxury

The nutrient value of food is easier to compare than prices. Food balance data published by the United Nations Food and Agriculture Organization (FAO) show the Soviet population as well supplied as the United States population in total calories and total protein. Soviet consumers eat less animal protein and less fat (both vegetable and animal), but that is not in itself a nutritional deficiency. The need for nourishment appears well served, better than in the world as a whole and far ahead of China and other low-income countries. As far as the underlying statistics can be trusted, the Soviet agricultural problem is entirely one of luxury quality, not of needs.

Agricultural statistics show the Soviet Union well ahead of the United States in food grains, potatoes and sugar, but with far less output of feed grains and oilseed; the total grain harvest is smaller. Quantity output of vegetables appears roughly the same in both countries, but Soviet production includes more cabbages and less high quality vegetables. Soviet fruit production is about two-thirds of that in the United States, again with lesser average quality; citrus production is small in the Soviet Union. Animal products show a similar balance in quantity but not quality. Soviet meat production is about two-thirds of that in the United States, but Soviet milk output tops American output by two-thirds.

It is not clear why these quantities of agricultural products and their quality composition are not adequate to meet consumer demand in the Soviet Union. Soviet production statistics are known to be padded, to what extent is unknown. State and collective farms have a premium on over-reporting the harvest. A case in point is the treatment of "damaged grain," which a manager has the right to write off as stockfeed on the farm where it was produced. Such grain is important in years of high yields and large grain crops. Apart from genuine crop damage in a rush season, the "damaged grain" may be a euphemism for grain stolen in the fields and used as feed on private plots. It may also be a device for over-reporting the harvest; allowing the over-reported quantity to disappear, the manager is one step closer to the reward for record. production.

Another part of the problem is in the marketing and pricing systems. Black markets may remove some of the bureaucratic and pricing strictures of the official markets, allowing many goods to be sold to consumers at prices reflecting market supply and demand. But this does not remove all market obstacles. There may be an artificial shortage of high-priced goods for those who are able and willing to pay black-market prices.

#### HIGH COST OF PRODUCTION

Soviet agriculture is both capital intensive and labor intensive.3 It draws heavily on the rest of the economy for production inputs, while maintaining a large agricultural work force. Capital intensity can be described in terms of investment goods and in terms of variable inputs acquired from other sectors of the economy. The capital stock in agriculture "for productive purposes" is more than 20 percent of all productive capital in the country, which is now a much larger share than agriculture contributes to the Soviet national product. Land is not included under the Soviet accounting system.4 New annual investment in Soviet agriculture "for productive purposes" (that is, not including rural housing and other amenities) has taken a rising share in the country's national product. In the early 1950's, this share was about 3.5 percent and it has risen to more than 6 percent in recent years. The Tenth Plan (1976-1980) foresaw that much, and the advance news of plans for

<sup>&</sup>lt;sup>3</sup>For material for this and the following sections, see Folke Dovring, "Capital Intensity in Soviet Agriculture," in Ronald A. Francisco, Betty A. Laird and Roy D. Laird (eds.), Agricultural Policies in the USSR and Eastern Europe (Boulder, Colorado: Westview Press, 1980), pp. 5-26.

<sup>&</sup>lt;sup>4</sup>Rent and land values continue to occupy many Soviet writers since the days of the Liberman reforms; for a recent contribution see V. Il' demenov, "Differentsial naia renta pri sotsializme," in *Ekonomicheskie nauki*, 1980, vol. 1, pp. 36-42.

1981-1985 promise a similar share in total investment.<sup>5</sup> It is highly unusual for such a share of national income to be invested in agriculture.

Another measure of capital intensity is depreciation, which can be computed from data on capital stock and annual investment. Depreciation of capital in Soviet agriculture varied between 1.5 and 3 percent of national income in the 1970's and is likely to continue at that level, about 2.25 percent per year, which is large in comparison with other countries. Data on tractors, combine harvesters and farm trucks show that, typically, five years' scrapping is equal to about half the stock on hand at the end of a five-year period. Tractors are worn out about twice as fast as they are in the United States. There may be poor maintenance, but machines are also used more per year, as indicated by data on fuel use in Soviet agriculture. The scrapping rates point to the fact that the fleet on hand is too small for managerial conve-

Working capital is less well known. There are statistics on physical units for various items, among them fuel, electricity and fertilizers. Input-output tables for 1966 and 1972 show that working capital rose from 10 to 22 billion rubles in six years, representing 5 percent and 7 percent, respectively, of Soviet national income in those years. Variable inputs thus rose even faster than fixed investments. The Tenth Plan aimed at vigorous increases in these inputs, but not all this materialized. Despite a slowdown in the late 1970's, deliveries of chemical fertilizers rose to nearly the same volume as in the United States. The tentative plan for 1985 sets fertilizer output at about three-quarters more than that reached before 1980, or 60 percent above current fertilizer usage in the United States.

The total of depreciation and variable inputs from other sectors (the sum of all "external inputs" in net terms) thus comes to over 9 percent of the national income. If all investment in a year is counted instead of depreciation, the total is over 13 percent. Soviet national product accounts do not include so-called "non-productive" services (those not directly related to commodities), which would be about one-fifth of the national income if they were included. To compare such percentages with statistics in other countries we should correct for this accounting difference. Even so we get 7 percent or 10 percent, respectively, of national income as agricultural inputs, depending on how fixed investments are counted. In most countries, 3 percent of national income is a normal rate of external inputs into agriculture, rather independent of time, place and level of per capita national income. The rates of external inputs into Soviet agriculture represent gross overuse of scarce resources, leading to

low productivity in agriculture and a large drain on the country's capital resources.

The last point requires some comment. When agriculture in the Soviet Union draws a larger than normal share of national income for its externally generated production inputs, this also means that more than normal (in other countries) must be invested in factories and service outfits that produce and service agriculture's inputs; thus these industries also must draw on a more than normal share of the country's investable resources, and the resources drain "snowballs" through the "backward linkages" of the system. Recently, Soviet statistics have attempted to capture some of this by computing investment in agriculture "for the entire complex of works" (po vsemu kompleksu rabot), but they have succeeded only in part.

#### **ENERGY CONSUMPTION**

Use of energy in Soviet agriculture has risen rapidly in recent years. More petroleum fuel is used for farm machines in the Soviet Union than in the United States. When all energy used in and for agricultural production, directly and indirectly (in the production and servicing of agriculture's inputs), is computed, the total comes to more than 10 percent of all energy in the country—over 13 percent if we include all new investment in a year. In the United States, the corresponding total is about 4 percent of the country's energy budget, which in recent years means 3 quads (quadrillions of British thermal units, Btu's) out of a total of 75-79 quads. The energy budget of the Soviet Union is about 55 percent of that of the United States (in excess of 40 quads) and so the energy used in and for Soviet agriculture comes to 4 quads, or quads if all gross investment is charged to annual use. With 15-20 percent less output, Soviet agriculture consumes a great deal more energy per unit of output than agriculture in the United States or in other countries with advanced agricultural technology. The plans for 1981-1985 envisage, somewhat vaguely, more efficiency in the use of inputs, but also continued increase in their quantity, including energy.

#### LABOR INPUT

The other side of the unusual factor combination in Soviet agriculture is in the size of the labor force. Official statistics show "year-average" (srednegodovye) workers in excess of 23 million; this excludes workers on state and collective farms whose work is not in agriculture. Nor does it include family members working only on family plots. These may be as many as 10 million, but an official estimate suggests that when the work done by these part-time workers is reduced to full-year equivalents, the total of all labor used in Soviet agriculture comes to about 27 million (the same figure in both 1977 and 1978).

<sup>&</sup>lt;sup>5</sup>Pravda, July 4, 1978; cf. Schoonover (note 2 above), pp. 113-115.

The family plots are more than vegetable patches. Their main output is animal products based on feed crops from collective lands—they are a feedlot operation. In contrast to American home gardening, Soviet family plots contribute sizable amounts to gross agricultural output.

The Soviet farm work force thus comprises about 20 percent of the country's total labor force. Other countries with similar proportions in recent years have usually had per capita incomes far below one-half the per capita income of the United States. For its level of per capita income (if those income statistics can be accepted), the Soviet Union maintains an unusually large work force in agriculture.

#### LOW PRODUCTION WORKERS

This Soviet agricultural work force is often said to be overloaded with old workers, low-skilled workers and women. "A bunch of grandmothers" is the image often communicated, a legacy of war and industrialization. This image of an aging, low-quality labor force is no longer valid. Age attrition should by now have reduced numbers considerably, but such is not the case—the decline of workers in agriculture has all but ceased, and the sex ratio has returned to normal. The quality of the farm work force is rising. Its elite, the "mekhanizatory," have become more and more numerous, and their increase in the 1970's is larger than the total decline in the number of all agricultural workers in the same years.

On a weighted-average basis (giving mechanizers higher weight), total labor in Soviet agriculture may have increased. By 1978, skilled workers amounted to 4.4 million, or nearly twice the entire work force in United States agricultural production in recent years. By comparison, the 22-23 million hand laborers in Soviet agriculture must not be very productive. Most of them could have been disposed of had the management system aimed at economizing with labor and had Soviet society other use for these workers. Lowskill workers are particularly numerous in the Asian republics, as a consequence of the high fertility among the Soviet Union's Muslim population.

These numbers are all the more unusual when compared with the work done in the rest of society to supply agriculture with inputs. The large drain on capital goods and industrial production caused by Soviet agriculture's externally produced (i.e., purchased) inputs has already been mentioned. How much non-agricultural labor is incorporated in these inputs can be calculated just as we calculated indirect energy. The total of such indirect labor came to 4.9 million worker years in 1966 and 7.2 million in 1972

(or, 6.8 million and 9.9 million, respectively, if all gross new investment is counted). Thus there was an increase of about 3 million worker years in six years, which is more than the decrease of the (unweighted) on-farm work force in those same years.

These numbers are impressive. United States agriculture only uses up between 2 million and 3 million work years of non-agricultural labor for its purchased inputs, a figure close to that of the work on the farm in United States agriculture.

#### **FARM ORGANIZATION**

The socialized agriculture of the Soviet Union is organized in large production units. In contrast to manufacturing and other urban sectors that were socialized as they existed, Soviet agriculture was recast in a new managerial model of which there was hardly any realistic experience. After the farm amalgamations of the 1950's, the Soviet Union now has less than 50,000 "farms," with the state sector in the lead over the previously dominant collective farms.

Alongside these giant "factories in the fields" there are still millions of family plots, usually limited to one-half hectare and with statutory limits on the number of livestock that may be privately owned. There are also rules on the ways in which private plot produce may be marketed.

State and collective farms are not monolithic. They are headquarters for bookkeeping and plan implementation, rather than operational units. Day-to-day operations are conducted in smaller units, usually called "brigades." Often the brigades are organized in still smaller units, "links" ("zveno," pl. "zven'ia") with only a handful of workers in each link. Usually, brigades and links have highly specialized tasks, a bureaucratic device ideally suited to disguising underemployment.

Attempts have been made to reorganize farm work by means of a simplified scheme of "mechanized links," small work groups entrusted with all the varied tasks on a piece of land or a herd of livestock. These units are the size of an American two-family farm. Around 1960, they appeared successful, but the experiment ran into opposition from party officials who

(Continued on page 105)

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<sup>&</sup>lt;sup>6</sup>On women in Soviet agriculture, see M. Fedorova, "Ispol'zovanie zhenskogo truda v sel' skom khoziaistve," in *Voprosy ekonomiki*, 1975, vol. 12, pp. 55 sq. Recent data in *Vestnik statistiki*, 1980, vol. 1, p. 71.

"As the Soviet Union enters a half decade of probable military superiority, Soviet leaders may well undertake . . . foreign adventures, particularly in areas adjacent to their territory. Yet . . . when the post-Brezhnev succession occurs . . . the Soviet leadership is likely to focus on internal affairs and limit its foreign efforts . . . ."

# The Soviet Leadership Enters the 1980's

BY JANE P. SHAPIRO

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ITH the death of China's Mao Zedong four years ago and the recent death of Yugoslavia's Josip Broz Tito, scholars and journalists interested in problems of political succession in Communist-ruled states have focused more sharply on the Soviet Union. There is a great deal of speculation with regard to a successor to the top leaders, each in his mid-seventies and not in robust health. What character will the post-Brezhnev leadership display? What kinds of major policy shifts, both domestic and foreign, can be expected?

Discussion about the future Soviet leadership has frequently centered around the fact that no member of the Communist party of the Soviet Union's (CPSU) central committee Politburo is likely to succeed Brezhnev as the party's General Secretary for more than a few years, because every acceptable (by virtue of training, occupation, career experience, ethnic membership) candidate is already in his seventies or close to it. Nikita Khrushchev was 59 years old when he was named First Secretary in 1953, and Leonid Brezhnev was 58 when he succeeded Khrushchev in 1964; both had served as central committee (CC) secretaries and as full members of the Politburo for many years before they became First Secretaries.

Of the current CC secretaries who hold full Politburo membership, only Konstantin U. Chernenko is under 72; at 67 he is, from all accounts, a Brezhnev protégé who lacks the support of other Politburo members. He is believed to have worked closely with Brezhnev in the early 1950's, when both men served in the Moldavian CP organization, and later as head of a CC department when Brezhnev became First Secretary. Chernenko is unlikely to accumulate enough power to succeed Brezhnev. He has enjoyed a spectacular rise to party leadership; he was first named a

CC secretary at the conclusion of the party's 25th congress in 1976, was elected to candidate Politburo membership in October of the following year and was promoted to full membership in the Politburo in November, 1978. But this experience contrasts sharply with his long years of lateral service in various CC department positions. 1 His party-centered career has been narrow; for the past 25 years he has held no position outside of the CC apparatus in Moscow and has had no apparent industrial/managerial or agricultural experience. This fact, coupled with his ideologically based expertise, strongly reinforces the belief that, aside from the absence of an independent power base, he is no more likely to accede to the top party position than others with similar career patterns, like Mikhail A. Suslov or Boris N. Ponomarev.

Among the CC secretaries who also serve as candidate Politburo members, most promising as a successor to Brezhnev at this writing is Mikhail S. Gorbachev, at 49 the youngest Politburo member. Unlike Chernenko, Gorbachev's expertise is in agriculture (although he was trained in law); after eight years as first secretary of the agriculturally rich Stavropol' krai (territory), he was named in November, 1978, to succeed Fyodor D. Kulakov as CC. secretary in charge of agriculture. A year later, he was promoted to candidate Politburo membership. Because of the volatility of Soviet agricultural production and the close relationship between the success or failure of agricultural policies and the careers of those responsible for them, Gorbachev's future is by no means secure. The disastrous 1979 harvest of 179 million metric tons of grain instead of the anticipated harvest of 225 million tons was officially blamed on unusually adverse weather conditions, and it is not yet known to what extent Gorbachev was held personally responsible for the shortfall. The most recent highlevel victim of crop failure was Dmitri S. Polyansky, who served as Minister of Agriculture from 1973 to 1976 (and was concurrently a full member of the Politburo). After the calamitous 140-million-ton grain harvest of 1975, he was abruptly dismissed as a minister, expelled from the Politburo, and sent as the Soviet ambassador to Japan.<sup>2</sup>

<sup>&</sup>lt;sup>1</sup>Radio Liberty, Research Report, November 6, 1979.

<sup>&</sup>lt;sup>2</sup>Western observers believe that Brezhnev perceived Polyansky to be a serious contender for the succession in the early 1970's, and deliberately engineered the latter's appointment as Minister of Agriculture. Had Polyansky remained in the position he held before the agriculture appointment—First Deputy Chairman of the Council of Ministers—at 63 he would be the most likely candidate to succeed Brezhnev.

Before the most recent CC Plenum (June, 1980), there was some United States press speculation that Vladimir I. Dolgikh, CC secretary in charge of heavy industry for the past eight years, might be promoted to Politburo membership,3 which would put him in line as a contender for the General Secretaryship (he is 55), but he was not promoted. Similarly, Mikhail S. Solomentsev, chairman of the Russian Republic's council of ministers for almost a decade and candidate Politburo member for almost as many years, was not promoted. Nonetheless, because of his varied experience (he has served in various republic and oblast [provincial] party committees, in heavy industry and agriculture, and in the CC secretariat) and the fact that he is a Russian, some observers have suggested that he must be considered a prime candidate for the succession.4

There have been a number of promotions to Politburo membership and appointments to the CC secretariat during the past two years; but none of those so honored seems a likely successor to Brezhnev. Indeed, Brezhnev appears to have carefully and successfully sought the demotion of virtually every younger party leader who might be qualified to succeed him<sup>5</sup> except Chernenko, who lacks an independent power base. Sixty-year-old CC secretary and Politburo member Fyodor D. Kulakov died in July, 1978.6 (A number of western Kremlinologists had pegged him as among the most likely contenders for the General Secretaryship.7 Four months later, at the conclusion of the November CC Plenum, 65-year-old Kirill T. Mazurov, First Deputy Chairman of the Council of Ministers, Politburo member for a dozen years (but a Kosygin rather than a Brezhnev supporter), was relieved of Politburo membership "because of health and at his own request,"8 although he was not known

<sup>3</sup>See for example, The Christian Science Monitor, June 23, 1980.

<sup>4</sup>See for example, R. Judson Mitchell, "The Soviet Succession: Who, and What, Will Follow Brezhnev?" *Orbis*, vol. 23, no. 1 (spring, 1979), especially pp. 17-18.

See the discussion in Robert E. Blackwell, Jr., "After Brezhnev: Muddling Through the Succession," World Affairs, vol. 142, no. 2 (spring, 1980), pp. 268-281.

<sup>6</sup>Kulakov died rather unexpectedly and, for reasons still unexplained and contrary to custom, neither the party's General Secretary nor the chairman of the Council of Ministers attended his Moscow funeral.

<sup>7</sup>See for example Grey Hodnett, "Succession Contingencies in the Soviet Union," *Problems of Communism*, vol. 24, no. 2 (March-April, 1975), pp. 1-21.

<sup>8</sup>Pravda, November 28, 1978.

<sup>9</sup>See the Radio Liberty Research Report, November 28, 1979, which discusses some possible reasons for the delay in promoting Tikhonov to the Politburo when he was named First Deputy Chairman in September, 1976, a position that ordinarily carries Politburo membership with it.

<sup>10</sup>Pravda, October 4, 1977.

"See the discussion of Podgorny's unexpected retirement in Radio Liberty, Research Report, April 5, 1979.

to be in failing health. Soon thereafter, he resigned from the Council of Ministers position as well. At the same plenum, Nikolai A. Tikhonov, the other First Deputy Chairman of the Council of Ministers (believed to be a Brezhnev loyalist), was promoted to Politburo membership, and the following year Tikhonov was promoted to full Politburo membership.9 Whether or not he is a Brezhnev supporter, at 74 Tikhonov offers no threat to the General Secretary. Nor does 79-year-old Vasilii V. Kuznetsov, elected to candidate Politburo membership in October, 1977,10 and four days later named First Vice Chairman of the Presidium of the Supreme Soviet. (Brezhnev had been named Supreme Soviet Presidium Chairman the preceding year when he secured the removal of Nikolai V. Podgorny from that position.11)

In sum, despite his declining health, during the past several years Brezhnev has managed to consolidate his position in the party leadership; over the 16-year period of his regime, he has gradually but thoroughly eliminated his main rivals; Podgorny, Polyansky, and Mazurov are only the latest in a long line that began with former KGB (secret police) chairman, CC secretary, and Politburo member Alexander N. Shelepin, from whom virtually nothing has been heard publicly since his "resignation" as chairman of the Trades Union in May, 1975 (he had been removed from his other positions earlier). Brezhnev has managed to withhold full Politburo membership from the most likely successors (who might attempt to build a coalition of support and seek to oust him as he did Khrushchev), and he has chosen not to groom a suitably experienced successor the way he himself was groomed by Khrushchev.

No concrete evidence indicates that the addition of Chernenko, Tikhonov, Kuznetsov and Gorbachev to the Politburo has influenced Soviet policy. Never labeled a hardliner or an adventurist in foreign policy, Brezhnev apparently did not engineer the appointment of these men to support his decision to invade Afghanistan or to approve continued massive spending for defense. Although they are relatively new faces, all except Gorbachev are of the current generation of leaders. Even the youngest, Chernenko, was born before the revolution, joined the party before Stalin's consolidation of power, survived (and benefited from) the Great Purge, participated as a mature adult in World War II, and rose to prominence during the Khrushchev years. These experiences are common to all current Politburo members and doubtless have significantly shaped their perceptions of the Soviet Union and its role in the international system.

But what factors have been especially important in shaping the views of the next generation of Soviet leaders? They were born in the decade after the revolution, experienced the Great Purge as children whose fathers (and, less frequently, mothers) were

arrested and deported to labor camps, fought as teenagers in the Great Patriotic War (as the Soviets like to refer to World War II), completed their formal education after Stalin's death and were appointed to their first important career positions after Khrushchev consolidated his position in 1957. Only one of this group, Leningrad party secretary Grigorii V. Romanov, currently serves as a full member of the Politburo, but many of them have already been elected to the central committee. The group calls for close scrutiny, because collectively it will rule the Soviet Union in the next decades. In addition to Romanov, there are three candidate Politburo members-Gorbachev, Azerbaidzhani CP first secretary Geidar N. Aliev, and Georgian CP first secretary Eduard A. Shevardnadze —and one CC secretary, Dolgikh, who belongs to this next generation. While their influence is probably limited at present, it will become more significant as the leaders in their seventies pass from the scene.

Compared to the current leadership, the next generation of leaders\* is far better educated; virtually all have graduated from a post-secondary institute or a university, and very few received their degree by correspondence. Not surprisingly, given the character of Soviet higher education, most of them have attended agricultural or industrial engineering institutions; only a few have attended major universities, like Moscow or Leningrad, or even the leading university in their native republics. Some have earned candidate or even doctoral degrees, most frequently in economics.12 Although some of them have also graduated from the central committee's higher party school (frequently by correspondence), whose curriculum includes a heavy dosage of Marxist-Leninist ideology, this ideological training seems, at least on the surface, to have had less impact on their perceptions and beliefs than their technical training and occupational experiences.

Virtually all the younger generation joined the party in their early twenties, and many held important positions in the Komsomol, usually on the oblast or republic levels, after they were admitted into party ranks. Most have had long years of service in agricul-

ture or industry, working their way up the management ladder. And because of the opening (albeit gradual and still severely limited) of the Soviet Union to foreigners—officials and tourists alike—and the increased possibilities for travel abroad (typically as an official delegation member), this next generation has had considerably greater contact with Westerners than the Brezhnev generation. <sup>13</sup> Indeed, an American journalist in Moscow recently noted that chief ideologist Suslov, who has frequently been described as the power behind the throne at least since the late 1950's (he has served as a full member of the Politburo since 1955, longer than Brezhnev), last met with an American in 1971 and still refers to Westerners as "our class enemies." <sup>14</sup>

There has been a relatively slow turnover in personnel during the Khrushchev years, in contrast to the massive elimination of officeholders during the Great Purge, the loss of experienced personnel in World War II and in the first stages of the second Stalindirected purge in the last years of that dictator's rule. Thus the great majority of future Soviet leaders did not achieve a position of significance until their late thirties or early forties. In contrast, thanks to the Great Purge, Brezhnev was named secretary of the Dnepropetrovsk oblast party committee at the age of 33; Kosygin became People's Commissar (Minister) of the Textile Industry at the age of 35. A significant number of the next generation moved very slowly up the career ladder in their forties and fifties, holding the same position for six or eight years or longer before moving up to another. Many of them have served in their current positions for a decade or more. Indeed, although promotions came slowly during the Khrushchev years, they have come ever more slowly during the past 15 years, thanks to the conservative personnel policies of the Brezhnev regime.

Determined not to repeat the horror of the Stalinist purges, Khrushchev recognized the need for some means of providing upward career mobility. His solution, adopted as part of the party's revised rules at the 22d CPSU congress in 1961, was to limit the number of years that officeholders could remain in office. Briefly, the rules provided that no more than 75 percent of those elected to the CC could be reelected at the following party congress. The same rule held for Politburo members, although a loophole provided for those whose services were deemed especially valuable to the party and who were therefore exempted from mandatory retirement. No more than two-thirds of those elected to the CC on the republic level or as krai or oblast secretaries could be reelected.

On the lowest party levels, turnover in office was to be even more frequent. In fact, an even higher rate of personnel turnover than was mandated appears to have occurred between late 1961 and the spring of 1966, when these regulations were voided at the

<sup>\*</sup>The following data are based on a review of the characteristics of current CC members (elected at the most recent party congress in 1976) who were born after the revolution Of the 287 members elected to full CC membership at the congress (excluding token collective farmers and shop workers), 173 fall into this category.

<sup>&</sup>lt;sup>12</sup>There has been some doubt cast on the authenticity of these degrees, based on emigré reports. See. A. Pravdin, "Inside the CPSU Central Committe," *Survey*, vol. 20, no. 4 (autumn, 1974), especially pp. 102-103:

<sup>&</sup>lt;sup>13</sup>With some minor exceptions: candidate Politburo member Kuznetsov, for example, spent two years in the United States (1931-1933), studying engineering at Carnegie Tech and working for the Ford Motor Company.

<sup>14</sup>The New York Times, February 15, 1980.

party's 23d congress. Although the rules were designed to assist younger, ambitious party officials, who were languishing in low-level positions while longtime officeholders refused to retire, there seems to have been widespread dissatisfaction with these rules among old and young alike, and they were eliminated without controversy after Khrushchev's dismissal.<sup>15</sup>

Khrushchev's innovations did not extend to the establishment of a mandatory retirement age for party officials, nor has the Brezhnev regime sought to institute mandatory retirement. Thus, although all male citizens may retire from full-time work at the age of 60 with a guaranteed pension, officeholders are frequently encouraged to stay on well into their seventies. Many do not achieve positions of prominence until they are close to 60. Thus, for example, Pavel A. Leonov, who served as first secretary of the Sakhalin oblast party committee (obkom) for 18 years, was only named first secretary of the industrially important Kalinin obkom in 1978, at the age of 60.16 Similarly, Vladimir P. Orlov, who served for a dozen years as first secretary of the Kuibyshev obkom, was named first vice chairman of the Russian Republic's council of ministers<sup>17</sup> (directly under Solomentsev) only at the age of 58.

Available data suggest that a high-ranking officeholder rarely retires if he is in good health, regardless of age. Alexander A. Ishkov, who served as Minister of the Fishing Industry (or in closely related positions elsewhere in the government) for more than 30 years, finally retired in February, 1979, at the age of 74. *Pravda* announced on February 15 that Ishkov was "retiring on pension"; but it was not revealed for more than a year that he had apparently been involved in a major scandal that included selling caviar abroad for foreign currency and, therefore, that he had not retired voluntarily.<sup>18</sup>

Consistently meager pension payments undoubtedly have encouraged officeholders to remain actively employed as long as possible; not only are their salaries several times higher than the maximum pension to which they would be entitled, but all the perquisites of high office (extra payments, com-

fortable living accommodations, dachas, access to special shops, better equipped medical facilities and more luxurious vacation retreats) are forfeited on retirement, except perhaps for retired Politburo members in good standing.<sup>19</sup>

Inevitably, advancing age will mandate retirement for many of these top officeholders during the 1980's, and the continuity and gradualism that characterized policy formulation and implementation in the 1960's and 1970's is likely to give way to bolder decisionmaking. For one thing, the next generation came to political maturity in the 1950's, as the Soviet Union rebuilt itself (after the ravages of Stalinism and World War II) as a leading world power and, subsequently, as one of the world's two superpowers. For another, there is a widely held belief among Western observers and probably among some Soviet leaders that the leadership of the 1980's will need to make hard choices, with the country facing limited readily available energy resources, a serious maldistribution of available labor, declining industrial growth rate and investment resources that coincide with a growing need for substantial new investment.20 There will be pressures on the new leadership to undertake innovative policy decisions, either to increase productivity drastically through revised planning mechanisms (despite the political costs) or to invest substantially in energy resource exploitation (which would draw investment away from other critical sectors of the economy), or to strengthen the Soviet position significantly in the Persian Gulf in order to ensure ready access to oil and natural gas supplies.

These possible policy innovations will be considered in the light of 20 years of military modernization and expansion, which has led to military parity with the United States and which (as many Western analysts believe) may provide for Soviet military superiority at least through 1985. How will this military capability affect Brezhnev's successors? Will it embolden them to expand or consolidate Soviet influence in areas along the frontiers, especially along the long southern border that stretches from Turkey to the Pacific? If, as current United States observers

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<sup>&</sup>lt;sup>15</sup>See the useful discussion in Yaroslav Bilinsky, "The Communist Party of the Soviet Union," in John W. Strong, ed., *The Soviet Union under Brezhnev and Kosygin: The Transition Years* (New York: Van Nostrand Reinhold Co., 1971), especially pp. 37-40.

<sup>&</sup>lt;sup>16</sup>Pravda, December 17, 1978.

<sup>&</sup>lt;sup>17</sup>*Ibid.*, April 19, 1979.

<sup>&</sup>lt;sup>18</sup>The New York Times, April 21, 1980.

<sup>1</sup>ºSee Merwyn Matthews, Privilege in the Soviet Union (London: Allen & Unwin, 1978), especially ch. 1, 2, 4. See also Alastair McAuley, Economic Welfare in the Soviet Union (Madison: University of Wisconsin Press, 1979), pp. 269-276.

<sup>&</sup>lt;sup>20</sup>On these points, see the very interesting discussion by Seweryn Bialer, "The Politics of Stringency in the USSR," *Problems of Communism*, vol. 29, no. 3 (May-June, 1980), pp. 19-33.

"The growing strength of the Soviet contra-system [dissidence] suggests that if the official system does not or cannot provide for the multiplying needs of its citizens in a changing society, unofficial groups will emerge to fill the vacuum and meet their needs."

# Growing Soviet Dissidence

#### BY ROBERT SHARLET

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FTER a decade and a half of visible activity, Soviet dissent can no longer be regarded as an ephemeral and occasionally sensational phenomenon. On the contrary, it can be best understood as a systemic component of a steadily emerging "contra-system" in the U.S.S.R. The unofficial communication channels running out of the Soviet Union via the samizdat route have made Western scholars aware of the Soviet contra-system. As a result, a remarkably diverse range of phenomena and behavior contrary to officially prescribed attitudes and practices can be observed in Soviet society.

The contra-system is comprised of a flourishing "second economy" in competition with the state's planned economy, a vast subterranean system of religious belief and practice contradicting the regime's policy of atheism, and a widespread tendency towards privatization antithetical to the party's advocacy of Soviet patriotism and civic participation in the strengthening of "developed socialism."

As a manifestation of visible action, dissidence is probably the most recent addition to the constellation of contra-regime phenomena. Though of relatively recent vintage—since the Siniavsky-Daniel case of 1965-1966—in the past 15 years Soviet dissent has accumulated a history, acquired a pantheon of heroes and martyrs, attracted historians and memoirists, and compiled a substantial body of literature.<sup>2</sup> Thus the dissident movement has given the contra-system a tiny but vocal counter-elite (in opposition to the theoretically hegemonic party elite), a plethora of

'See Gregory Grossman, "The 'Secondary Economy' of the USSR," *Problems of Communism*, vol. 26, no. 5 (1977), pp. 25-40.

<sup>2</sup>See John E. Turner, "Artists in Adversity: The Siniavsky-Daniel Case," in Theodore L. Becker, ed., *Political Trials* (Indianapolis: Bobbs-Merrill, 1971), ch. 7. See also the invaluable interpretive history by Joshua Rubenstein, *Soviet Dissidents: Their Struggle for Human Rights* (Boston: Beacon Press, 1980); and the excellent memoir by Vladimir Bukovsky, *To Build a Castle: My Life as a Dissenter* (New York: Viking, 1979), trans. by Michael Scammell.

<sup>3</sup>Peter Reddaway in *The Times* (London), May 7, 1980, quoted in *Help and Action Newsletter*, vol. 2, no. 14 (June, 1980), p. 1.

4"Exiled Soviet Dissident Welcomed," News from Helsinki Watch (New York), July 24, 1980, p. 1.

alternative political cultures and contra-belief systems in defiance of the monolithic official political culture, and an array of proposals for reform of the Soviet system.

Statistics on the Soviet regime's struggle against dissent are abundant. Since the mid-1970's, Amnesty International has learned of more than 400 dissidents who have been imprisoned or otherwise restricted because of their peaceful advocacy of basic human rights. Since August, 1978, samizdat sources have reported the cases and trials of 217 people who are either in pretrial detention, or have already been sentenced, or have been forcibly committed to mental hospitals for their activities. On an annual basis, 71 human rights activists were convicted and 86 others were arrested on various pretexts from June, 1979, to May, 1980. On a quarterly basis, 40 individuals, including many prominent dissidents, were arrested in the three months from December, 1979, through February, 1980.

Thousands of other people have been subjected to house searches, police interrogations, or administrative justice in connection with political cases during the past two years. Meanwhile, the police juggernaut rolled on to the eve of the Summer Olympic games. In the spring of 1980, Western specialist Peter Reddaway reported that "Arrests of Soviet dissidents are now running at an average rate of between five and ten per week." Even during the games, troublesome activists were being expelled to the West.

While the 1980 summer games served as a pretext, the pre-Olympic "cleanup" is only one of several factors contributing to current Soviet repression policy. This is confirmed in a recent statement of Yuri Yarym-Agayev, a physicist and member of the Moscow Helsinki watch group just exiled from the U.S.S.R., who stressed that "the crackdown against dissidents, while accelerated by plans to clear Moscow for the Olympic Games, is in fact part of a long range program to suppress political dissent in the Soviet Union, a campaign which is stepped up or toned down according to party directives at a given time."

There are clear indications that Soviet repression planning is modeled on economic planning, complete

with quantitative indices, production targets, quarterly quotas and annual plans within a five-year framework. In addition, certain invariant factors relevant to repression policy have probably been considered, including the draft and public discussion of the new Soviet constitution in the spring and summer of 1977,5 the sixtieth anniversary of the Bolshevik Revolution in November, 1977, the first biannual Helsinki Accords review conference in Belgrade, 1977-1978, Stalin's Centennial in 1979, the Moscow Olympics in 1980, the second Helsinki review conference in Madrid 1980-1981, and the American presidential election. The tactical rule of the party and the KGB (secret police) is to carry out antidissident sweeps and sometimes even full scale "campaigns" before such occasions to lower the movement's profile.

In addition, the party's repression planners no doubt did some forecasting for the period 1976-1981 on Soviet-American détente, especially on the outlook for a new strategic arms limitation treaty (SALT II); the rise of Eurocommunism and the realistic prospects for participation in the governing coalitions of West Europe; the scope and limits of the Chinese challenge in postwar Southeast and South Asia and the possible consequences for the Soviet Union; the political tendencies and economic developments in East Europe that bear on Soviet stability and regional equilibrium; the strength, status and state of morale of the Soviet dissident movement and its prospects for the future; and, finally, the great imponderable of Soviet elite politics, the onset of the post-Brezhnev succession process.

One can only speculate on the interplay of these socalled "objective" and "subjective" factors in the actual administration of the current five-year-plan for repression policy. But the Soviet regime has at least three compelling reasons for its persistent and unusually vigorous assault on the still relatively small dissident movement.

First, the activists violate one of the fundamental norms of the Soviet system—the regime's monopoly over the "word," written and spoken. Since the early 1960's the regime has had to contend with an ever increasing outflow of counter-information about the Soviet system, and especially its citizen-state relations, which leaks into the international communica-

tion system. The mainstream dissidents have consistently operated on the premise that only exposure and adverse publicity can restrain the Soviet government; therefore, it is their main task, in the words of a former activist, "to make public every illegal act committed in our country so that all the world may know." Through their samizdat journals, press releases, and occasional interviews with Western newsmen in Moscow, the dissidents have revealed so much information (some 2,000 pages have reached the West since mid-1978) about the hidden aspects of Soviet reality that the shape of the contra-system has begun to surface, and the basis for Western evaluations of the Soviet system is changing.

Second, the Soviet leadership fears that the precedent as well as the content of the predominately elite dissent will have a spillover effect on the blue-collar working population and may ignite their grievances about living and working conditions, inflaming passions that could only be suppressed by the use of force. Although the mainstream civil rights activists have not made any systematic effort to catalyze the workers, the Soviet party elite remembers the example of Poland. Via the "spontaneous combustion" of price increases, Poland's blue-collar workers have exploded into violence twice since 1970; most recently during the summer of 1980, Polish grievances have taken the form of rash work stoppages and strikes. Even more disturbing to the Soviet leadership is the linkage between the disaffected workers and dissident Polish intellectuals, which has been forged and tempered as a result of these events.7

While recent reports of peaceful strikes in the Soviet Union have reached the West, there is as yet no evidence to suggest any connection with the nascent Soviet dissident worker groups.8 Nonetheless, civil rights dissidents in the Soviet Union have provided a forum for the smoldering ethnic emotions and religious passions of the provinces, thereby affording Ukrainian nationalists, Lithuanian Catholics, Crimean Tartars, Russian Baptists and others visibility through the foreign press. As a consequence, group or political consciousness has been raised among ethnic advocates and religious activists; hope has replaced despair; and greater boldness has been engendered vis-à-vis the authorities. Since success in terms of group cohesion, or even perceived success, tends to generate new recruits, and given the potential number of believers and nationalists of various persuasions who might become dissidents, the Soviet leadership is justifiably concerned.

Finally, because of the dissident movement's resiliency, its longevity in perpetuating political "deviance" in a party-dominated society, and its stable constituencies in the West, the movement has taken on the appearance if not the actuality of an organized opposition in a one-party authoritarian system.

<sup>&</sup>lt;sup>5</sup>See Robert Sharlet, *The New Soviet Constitution of 1977* (Brunswick, Ohio: King's Court, 1978).

<sup>6</sup>Quoted in Rubenstein, op cit., p. 252.

<sup>&</sup>lt;sup>7</sup>See Jacques Rupnik, "Dissident in Poland, 1968-78," in Rudolf L. Tokes, ed., *Opposition in Eastern Europe* (Baltimore: Johns Hopkins University Press, 1979), pp. 60-112.

<sup>\*</sup>See Anthony Austin, "Workers in Soviet Said to Strike at 2 Large Automobile Factories," The New York Times, June 14, 1980, p. 1. On the workers' movement, see Viktor Haynes and Olga Semyonova, eds., Workers Against the Gulag (London: Pluto Press, 1979).

Blessed with wave after wave of articulate spokesmen and hence visible abroad well out of proportion to its numbers, the movement's leaders have been cast in the role of a counter-elite by Western "audiences."

The dissident movement has gained greater cohesion since the 1975 Helsinki Final Act because of the creation in the U.S.S.R. (beginning in 1976) of "Helsinki watch groups" drawn from several branches of the heretofore only loosely integrated dissident movement. The Helsinki monitors have become a source of special concern to the Communist party on several counts.

They represent a successful attempt to integrate the disparate parts of the broad movement, to give it a more formal, organized character. The monitors derive legitimacy from the continuing existence of the 35-nation Conference on Security and Cooperation in Europe and its biannual review meetings; hence the regime's attempts to castigate the monitors as "anti-Soviet" renegades are subject to external challenge.

The dissident watch groups not only presume to monitor the Soviet government's compliance with the human rights provisions of the Final Act, but they also simultaneously present their carefully researched and objectively written investigative reports to the government itself and to the foreign press corps. This information has been and will continue to be fed back into the Helsinki review conferences (the next is scheduled to open in Madrid in the fall of 1980), via the publications of organizations like the U.S. Commission on Security and Cooperation in Europe.9

The watch groups have also attracted complaints and grievances from a broad spectrum of Soviet citizens, raising the specter of an independent "ombudsman" in Soviet society. When the creation of the Moscow watch group was broadcast back into the U.S.S.R. by Western radio, people all over the country began to recount their personal experiences of human rights abuses. East European precedents have contributed to the regime's concern about the growing public activity and the moral authority of the dissident movement, particularly the well-developed and deeply entrenched Polish movement and the smaller but more cohesive "Charter 77" movement in Czechoslovakia.<sup>10</sup>

Thus the Soviet leadership has moved with particular vigor against the dissidents since late 1976, first

with the KGB's "Belgrade Campaign"<sup>11</sup> to lower the profile of dissent before the first Helsinki review conference held in Belgrade in 1977-1978, and more recently in 1979-1980 with the KGB's "Olympic Campaign" to clear Moscow of dissidents before the influx of foreign tourists for the Summer Olympics.

The KGB's pre-Olympic operations also dramatically lowered the public and international visibility of Soviet dissent before the second Helsinki review conference set to begin in Madrid in September, 1980. The combined pre-Olympic and pre-Madrid assault on the dissident movement reveals evidence of extensive long-term planning uncharacteristic of previous, more limited KGB campaigns. Anticipating the international events of 1980, Soviet authorities built a new, more remote prison, produced a working manual of dissent, and created not one but two diversions to deflect attention from the main operations of its machinery of political justice.

Well in advance, some of the best-known political prisoners, like Anatoly Shcharansky and Viktor Petkus (the Lithuanian Helsinki monitor also sentenced in the great trials of spring-summer, 1978), were transferred from Vladimir prison to the recently built Christopol prison, some 500 miles from Moscow and the Olympic tourists. In addition, a *White Book* was published in 1978 and circulated primarily to cadres, to serve as a manual to prepare them for the dual Olympic-Madrid campaign against dissidents.

As a smoke screen to cover the planned large-scale internal police operations, Jewish emigration, a reliable barometer of Western opinion on Soviet human rights policy, was allowed to rise to an all-time high of 50,461 in 1979. And when the outflow was dramatically reduced following the United States reactions to the Soviet invasion of Afghanistan in December, 1979, a substitute diversionary tactic took the form of an unprecedented rate of Soviet Armenian emigration to the United States during the spring of 1980. The Olympic-Madrid connection was evident in the proviso that the majority of Armenian emigrants were to leave the U.S.S.R. before June 16, the expiration date on their exit visas.<sup>12</sup>

The main thrust of the KGB's Olympic sweep was to clear the capital of dissidents. The least onerous method was borrowed from the Czechs, who used it most recently during Brezhnev's 1979 spring visit to Prague. The method was simple. The Czech regime offered its dissidents the choice of a short vacation outside the city or two consecutive 48-hour preventive detentions. The Moscow authorities followed suit, inviting their "troublemakers" to leave the city for the summer or face prosecution. Most dissidents removed themselves from the path of the Olympic juggernaut.

However, the carefully executed Olympic-Madrid police campaign was only the tip of a massive and extensive KGB strategy to cripple the dissident move-

<sup>&</sup>lt;sup>9</sup>See Reports of the Helsinki-Accord Monitors in the Soviet Union (Washington, D.C.: Commission on Security and Cooperation in Europe, 3 vols., 1977-78).

<sup>&</sup>lt;sup>10</sup>See Vladimir V. Kusin, From Dubček to Charter 77: Czechoslovakia 1968-78 (Edinburgh: Q Press, 1978), part four.

<sup>&</sup>lt;sup>11</sup>See Robert Sharlet, "Dissent and Repression in the Soviet Union," *Current History*, vol. 73, no. 430 (October, 1977), esp. pp. 115-17.

<sup>&</sup>lt;sup>12</sup>The exit deadline may have been dictated by the fact that the visa offices were needed to process the influx of Olympic tourists.

ment before the 26th party congress in early 1981.<sup>13</sup> Given the larger scale of operations and their longer duration, the vast forces deployed, the coordinated country-wide scope of repression, and the full spectrum of measures employed, the KGB has apparently introduced the civil version of a Vietnam War-style "search and destroy" mission into Soviet society.

The overarching repressive strategy of the late 1970's and early 1980's relies heavily on the political trial for subversion (Article 70 in the R.S.F.S.R.) or for slander (Article 190-1). Since 1976, this has been the favored method against the Helsinki monitors.

The frontal attack on the monitors opened with the "Christmas repressions" of 1976, continued through the arrest of Anatoly Shcharansky in March, 1977, and culminated with the political trial of the leaders of the Ukrainian Helsinki watch group, Mykola Rudenko and Oleksiy Tikhy, in late June-early July, 1977. The KGB attack subsided during the first Helsinki review conference from mid-1977 through early 1978, but resumed immediately thereafter; the first trial began on March 14, just five days after the final communiqué. Then came what might be called "probing attacks," with new arrests and trials of Lithuanian, Ukrainian and Armenian Helsinki monitors followed by the main offensive, the "great" political trials of May through July, 1978: Orlov, organizer and head of the Moscow Helsinki watch group; Zviad Gamsakhurdia, the Georgian monitor; Viktor Petkus, a Lithuanian monitor; Alexander Ginzburg, a long-time activist; Shcharansky, a Moscow monitor and liaison with the Jewish Emigration Movement; and Lev Lukyanenko, a major Ukrainian dissident and Helsinki monitor.

This major anti-dissident offensive served as the precursor of continuing KGB attacks; the next large-scale crescendo ran from November, 1979, through February, 1980, with the arrests of nine Helsinki monitors, eight of whom belong to the Ukrainian group, and Sakharov's arrest and banishment to Gorky on January 22. Helsinki monitors were arrested and bound over for political trial or a similiar fate until the Olympic Games began.

Supplementing the political trial, the KGB tends toward the criminalization of political deviance, including reliance on the criminal trial. Criminalizing a dissident's political activities denies him the status of a "political" actor and makes him a criminal defendant. In the past, this repressive technique was primarily used against minor, obscure and isolated dissidents, who could plausibly be presented as ordinary criminals. However, since about 1977 the KGB has begun to bring trumped-up criminal charges complete with false witnesses against well-known dissidents, thus neutralizing their ability to conduct a "political" or even a "legalistic" defense.<sup>14</sup>

In the administration of political justice, bureaucratic harassment remains the mainstay, but the techniques of psychiatric terror, official hooliganism, and forced expatriation are also being used with increasing frequency.

Bureaucratic harassment routinely involves dismissal, expulsion, eviction, withdrawal of a residence permit or other deprivations. The political abuse of psychiatry, psychiatric terror, has been the most completely documented in samizdat and Western sources. 15 The authors of the two most recent samizdat studies, Alexander Podrabinek, a former medical orderly, and Victor Nekipelov, a pharmacist, have already been subjected to judicial repression for their revelations. 16 In different parts of the country on the same day, June 13, 1980, Nekipelov received a 12-year term of imprisonment and internal exile, while his colleague, Podrabinek, was rearrested at his place of exile in the Soviet Far East and is currently awaiting a new trial.

In their capacity as activists of the "Working Commission for the Investigation of the Use of Psychiatry for Political Purposes," both men helped bring to light long forgotten cases as well as contemporary cases of psychiatric terror. These included the cases of Vasily Shipilov who has been incarcerated in special psychiatric hospitals, the most punitive type, since 1949 for his participation in a religious seminar, and Gennady Kuznetsov, a former law student, interned since 1966 in general psychiatric hospitals for "anti-Soviet" activity.

The use of psychiatric terror has apparently increased in frequency since the mid-1970's; the method is used against ordinary citizens pursuing personal grievances, "whistle blowers" pitted against the bureaucracy, and, finally against a wide array of human rights activists. In the Gaider case, a woman seeking redress of a grievance was "suffering from nervous exhaustion due to her search for justice." In the Zhikharev case, an engineer who criticized the unfair distribution of work bonuses was diagnosed as having "tendencies to litigation" and committed to a special psychiatric hospital. Four of the organizers of the "Free Trade Union Association," formed in 1977 to

<sup>&</sup>lt;sup>13</sup>See Robert Sharlet, "Dissent and Repression in the Soviet Union and Eastern Europe: Changing Patterns Since Khrushchev," *International Journal*, vol. 33, no. 4 (1978), pp. 763-95.

<sup>&</sup>lt;sup>14</sup>See "U.S. Helsinki Watch Committee Appeals for Release of Landa and Bakhmin," *News from Helsinki Watch*, March 18, 1980; Rubenstein, *op. cit.*, pp. 243-44; and *Prisoners of Conscience in the USSR*, 2d ed. (London: Amnesty International, 1980), p. 22.

<sup>&</sup>lt;sup>15</sup>See Sidney Bloch and Peter Reddaway, *Psychiatric Terror* (New York: Basic Books, 1977); and Harvey Fireside, *Soviet Psychoprisons* (New York: Norton, 1979).

<sup>&</sup>lt;sup>16</sup>See Alexander Podrábinek, *Punitive Medicine* (Ann Arbor: Karoma Publishers, 1980): and Victor Nekipelov, *Institute of Fools: Notes from the Serbsky* (New York: Farrar Straus Giroux, 1980).

protest poor working conditions and low safety standards in mines and factories, were shortly thereafter confined to mental hospitals. The leader of the group, Vladimir Klebanov, remains institutionalized.

Mainline activists are also regularly repressed psychiatrically. Most recently, Valentin Smirnov, a photographer and organizer of "underground" exhibitions of non-conformist art, fled his apartment, where an ambulance and police car were regularly stationed. On June 3, 1980, he was discovered by the police and sent to a Leningrad psychiatric hospital.

Official hooliganism, always a ready tool of intimidation and reprisal, also seems to be on the rise. Routine techniques by police personnel in and out of uniform range from anonymous letters, threatening phone calls, open beatings, crypto-muggings and, occasionally, murder. There is a brazenness in this abuse of dissidents—as a policeman told the indignant father of a victim, "We beat people up when we have to."

To select but a few of the recent incidents, Lev Kopeley, the dissident author, was threatened for his support of Sakharov; Kishinev refuseniks found their homes burglarized upon returning from the KGB offices to which they had been summoned, and a French scientist who had attended an unofficial scientific seminar in Moscow was mugged "very cautiously" by four unknown assailants. Other acts included the use of KGB, police, police auxiliaries, military vehicles, helicopters, and attack dogs to break up and disperse a prayer meeting of Baptists in Rostov in 1978, and the brutal murder in May, 1979, of Volodymyr Ivasyuk, a young Ukrainian folk-rock composer, who was last seen alive being picked up by a KGB vehicle. His body was found hanging from a tree, savagely mutilated, and bearing signs of torture; yet his death was ruled a suicide by the local KGB. He was by no means the first Soviet dissident to die under mysterious circumstances strongly suggesting official complicity.

Finally, the number of forced expatriations and denaturalizations of major dissident figures has risen dramatically. Joining Chalidze, Litvinov and Solzhenitsyn (who were either expelled and/or denaturalized while abroad), the list of emigré dissidents now includes Amalrik, Bukovsky, Ginzburg, Moroz, Plyushch, and Pastor Vins. Added to the roster should be General Grigorenko and the cellist Rostropovich, both denaturalized in March, 1978, while abroad with permission; Tatyana Khodorovich, who had played a major role in samizdat publishing; Ludmilla Alexeeva, a founding member of the Moscow Helsinki watch group; and Dina Kaminskaya and her husband Konstantin Simis, defense lawyers for the dissidents.

The process continued even during the Olympic games in July, 1980; the novelist, Vasily Aksyonov, left for the West after reprisals over the "Metropol"

affair; Vladimir Borisov, one of the founders of the free trade union movement, was forcibly put on a plane to Vienna; and three women editors of the first samizdat feminist journal were given 24 hours to pack and leave the country with loss of citizenship, after the first issues of their journal appeared. This convenient means of dispensing with dissidents too difficult to repress by other methods is likely to continue.

#### PROSPECTS FOR THE 1980'S

By the fifth anniversary of the Helsinki Accords in the summer of 1980, in its fifteenth year of "public" existence the Soviet dissident movement was badly battered but by no means defeated. The vital information conduits to the West, although they are frequently disrupted by arrests, expulsions, harassment of foreign newsmen and most recently, exile, have multiplied. Even Sakharov still manages to speak to the world from his place of isolation in spite of elaborate attempts to silence him.

Although the party and the KGB high command seem to have devised an effective and longer term antidissident strategy, like most generals they are fighting the "last war," the dissident movement as it was in the mid-1970's.

But the late 1970's witnessed the emergence of new groups and new issues in a manner that is beginning to resemble Western-type single-issue interest groups with a high degree of expertise and specialization. Workers have begun to organize unofficially; the first samizdat feminist journal has appeared and a second one is soon expected; psychiatric internees, religious believers, prisoners, and even handicapped people all now have unofficial specialized groups defending their rights and interests. The growing strength of the Soviet contra-system suggests that if the official system does not or cannot provide for the multiplying needs of its citizens in a changing society, unofficial groups will emerge to fill the vacuum and meet their needs. This problem, which shakes the power of the KGB, and is not susceptible to police solutions, will surely plague Brezhnev's successors in the coming decade.

Robert Sharlet specializes in Soviet and East European law and political justice. His recent publications include The New Soviet Constitution of 1977 (Brunswick, Ohio: King's Court, 1978); The Soviet Union Since Stalin coedited with Stephen F. Cohen and Alexander Rabinowitch (Bloomington: Indiana University Press, 1980); and Pashukanis: Selected Writings on Marxism and Law, coedited with Piers Beirne and translated by Peter B. Maggs (London: Academic Press, 1980). He has written extensively on Soviet law and politics, including Slavic Review, Problems of Communism and The Behavioral Revolution and Communist Studies.

### **BOOK REVIEWS**

#### ON THE SOVIET UNION

YEARBOOK ON INTERNATIONAL COM-MUNIST AFFAIRS: 1980. Edited by Richard F. Staar. (Stanford: Hoover Institution Press, 1980. 486 pages, selected bibliography and name index, \$35.00.)

This is the 14th consecutive volume in this series about international communism; edited by Richard Staar, it provides "basic data concerning organizational and personnel changes and activities of Communist parties and international front organizations throughout the world." Staar's introduction is a short but comprehensive survey that offers a broad view of worldwide communism and the some 75 million Communist party members in the world.

The wealth of up-to-date information in each article makes this an indispensible reference book for the student of world politics; it includes discussions of the military activism displayed by China, the Soviet Union and Cuba in 1979, as well as biographies of newly prominent Communist leaders. The problems both internal and external that trouble the Communist countries and parties are also examined. In such a solid reference work, it is a pleasure to find the articles so interesting and readable.

O.E.S.

SOVIET ECONOMIC THOUGHT AND POLITI-CAL POWER IN THE USSR. By Aron Katsenelinbolgen. (New York: Pergamon Press, Inc., 1980. 211 pages, notes and index, \$22.50.)

Aron Katsenelinbolgen describes what he terms "the process of the evolution of economic theory in the Soviet Union from uniformity under Stalin to diversity in the post-Stalin period." He believes that in the field of Soviet economics a variety of opinions are acceptable, a variety not usually allowed in the humanities and social sciences. He details the development of Soviet mathematical economics and expresses the hope that a "methodology for studying socioeconomic life in the USSR" will be developed.

O.E.S.

YOUNG RUSSIA: THE GENESIS OF RUSSIAN RADICALISM IN THE 1860's. By Abbott Gleason. (New York: The Viking Press, Inc., 1980. 467 pages, notes and index, \$16.95.)

In this account of the years before and after 1860 in the Russia of the Czars, Abbott Gleason analyzes the birth and history of the radical movements and

their leaders, who were opposing the Russian rulers and insisting on the primary importance of the people. Gleason clearly shows his "admiration for the nineteenth-century Russian intelligentia" who led these movements.

O.E.S.

THE SOVIET SYSTEM OF GOVERNMENT. By John N. Hazard. (Chicago: The University of Chicago Press, 1980. 330 pages, appendices, bibliography and index, \$5.95 paper.)

John Hazard has written a useful handbook for the study of the Soviet Union. The lengthy appendices detail the working of the Soviet system of government. O.E.S.

ON SOVIET DISSENT. By Roy Medvedev. (New York: Columbia University Press, 1980. 158 pages and index, \$10.95.)

In this brief study, Roy Medvedev gives his definition of Soviet dissent, declaring that the dissenters "are opposed to the constituted power" and refuse "to keep it to themselves." He outlines the history of some notable dissenters and the history of the dissident movement in the Soviet Union.

O.E.S.

THE SOVIET UNION SINCE STALIN. Edited by Stephen F. Cohen, Alexander Rabinowitch and Robert Sharlet. (Bloomington, Indiana: Indiana University Press, 1980. 342 pages and index, \$22.50 cloth, \$7.95 paper.)

The editors of this general survey asked their authors to have "their contributions reflect the most recent scholarship in their respective fields" in describing the social and political history of the Soviet Union since the death of Stalin. This wideranging overview of politics and society in the Soviet Union by Soviet specialists is of great value to the scholar and the general reader.

O.E.S.

POLITICAL CULTURE AND SOVIET POLITICS. By Stephen White. (New York: St. Martin's Press, 1980. 234 pages and index, \$22.50.)

Social scientists have long debated the extent to which Soviet politics is Czarist autocracy modernized. White applies the concept of political culture to substantive politics in the Soviet Union, providing insightful essays on socialization, ideology and beliefs, and culture differentiation. The research is impressive.

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# THE CHANGING AMERICAN-SOVIET POWER BALANCE

(Continued from page 69)

volvement and commitment in Vietnam during the early 1960's, with the important difference that the factor of geography made a cutting of losses less conceivable in the Afghan case. They had some empathy for the argument that American policy vacillations had made it difficult to judge American intent: hence they appreciated the argument that the Carter administration was at least partially to blame for whatever misunderstandings and misconceptions might have prevailed in Moscow. Thus they were reluctant to be drawn into the maelstrom.

Chancellor Schmidt's reference to the summer of 1914 and to the dangers of communication breakdown, and his positing of the specter of a drift toward unwanted war, at the wrong time, and for the wrong reasons, reflected profound disquiet. Allies east and west felt compelled to provide nominal support to their respective alliance centers, but their support was a function more of despair than commitment, a short-term concession to the requirements of the moment rather than a reflection of concord or conviction.

The balance of power had seen no dramatic change. The balance of perception had, but that was another matter, a function of politics not arms. In one sense, however, the change in perception and political mood could be seen as a belated adjustment to balance of power realities. The shifting winds of Washington politics could be ascribed to the frustration of lost supremacy and the restrictions that this entailed for the American ability to dictate or affect the course of events in distant regions, combined with frustration that American moral authority appeared to be falling on less receptive ears (the latter was in part a function of the former, in part a legacy of Vietnam events). Soviet actions likewise bespoke a degree of frustration -new-found power had not automatically conferred the expected degree of world deference; the Soviet Union might circumscribe American power but could not replace it. The trends that favored the Soviet Union in the bilateral equation were of questionable ultimate importance in the face of the American ability to compete and the disquieting prospect of growing European, Chinese and perhaps Japanese military prowess. The leverage that superpower status bestowed on Moscow was furthermore at least partially offset by the evident fact that Soviet ideology also appeared to have lost much of its third world appeal.

The trend towards the fragmentation of alliances and the drift towards quasi-neutral attitudes in West and East Europe was also a function of the perception that the superpowers had effectively checkmated each other and that this condition was likely to persist for the foreseeable future. Yet the loss of control by the major powers also diluted the potential effectiveness and decisiveness of their bilateral negotiations. Bilateral ties might remain essential for purposes of arms control and to help ensure against suicidal miscalculation or accident—however unlikely. But the fragmenting of their moral authority and the decreased respect for their military authority at a time of rapidly proliferating nuclear weapons capability and potential (a trend spurred by the proliferation of sectarian and often mutually incompatible state and group interests)11 inevitably increased the prospects for localized wars neither initiated nor encouraged by the superpowers. On the other hand, localized wars inevitably affect the interests of global powers. The danger that they may be drawn into the vortex not through their own designs but in reaction to perceived third party threats to their interests is perhaps the most hauntingly plausible conflict possibility for the 1980's and 1990's.

#### SOVIET TRADE POLICY

(Continued from page 87)

doubtless needed is a change in strategy. Soviet leaders have mistakenly tried to expand their exports by concentrating on their more sophisticated products. But except for their military weapons exports, this approach has not succeeded. Other countries have usually begun at the lower spectrum—that is, by trying to move up from raw materials to processed raw materials to semi-fabricated goods and, finally, to sophisticated goods. After many years, there are signs that the Soviet Union has begun to adopt this more rational, but time-consuming approach. Soviet leaders will still have to worry about poor quality and waste, but they are beginning to supplement their export of hydrocarbons, like petroleum and natural gas, with significant quantities of petrochemicals and ammonia that are produced from their petroleum and natural gas. Much of the ammonia is even coming to the United States. This process is just beginning to be a significant income earner, assuming of course that Western manufacturers of the same products do not erect trade barriers to keep out the competing Soviet imports. Such an effort has already been made against Soviet ammonia in the United States, but for the time being at least, anti-Soviet trade restriction has been only partially successful.

It will nonetheless take some time for the Soviets to

<sup>&</sup>lt;sup>11</sup>W. Epstein's "A Ban on the Production of Fissionable Material for Weapons," *Scientific American*, July, 1980, charts some 40 countries capable of developing nuclear arsenals by 1990, with 10 officially non-nuclear states able to procure such arsenals in one to two years (two of these, Israel and South Africa, are in fact presumed to have already done so; a third, Pakistan, is thought to be only months away from nuclear status).

move successfully into the area of more value-added production; for the time being, Soviet exports will probably continue to consist primarily of raw materials. Consequently, Soviet leaders will be forced to import raw material extraction equipment so that they can continue to export to pay for their imports. Even if petroleum production should fall, such equipment will be of critical importance because the second most important Soviet export is natural gas. Hard currency natural gas exports usually earn no more than one-fifth of the earnings of Soviet petroleum, and while that is a significant sum, it is not large enough to cover Soviet import bills.

As for other imports, Soviet leaders will probably try to cut back, particularly when an import increases Soviet interdependence on potentially hostile suppliers. As they seek to reshape trade policy, they may find that they no longer have the freedom they once had and must continue to import American corn, some raw materials, and Western technology, regardless of the consequences. For those who hope that the Soviet Union will ultimately find itself part of the international family of nations on a regularized basis. this will be welcome. However, Soviet leaders may find that they are able to tighten their belts and cut themselves off as they did in the 1930's and again in the 1950's. If they then turn away from increased interdependence, this may turn out to be a lost opportunity not only for the Soviet Union, but for the world.

### SOVIET IMPERIALISM IN AFGHANISTAN

(Continued from page 83)

Central Asia might be infected by the virus of Islamic fundamentalism; United States indecisiveness in the face of major setbacks like the fall of the Shah and the holding of hostages in Teheran; the burning of the United State embassies in Trivoli and Islamabad; the expectation, based on United States behavior, that Washington's display of displeasure would be relatively short-lived and harmless; or an unwillingness to see a Communist regime toppled. In any event, the Soviet action was an instance of imperial expansion undertaken to expand the strategic frontiers of the Soviet Union. The model for the move into Afghanistan was the People's Republic of Mongolia.

In the early 1920's, Moscow installed a compliant Communist party in power in Mongolia and granted that nation formal independence and a substantial measure of internal autonomy, while retaining full strategic control. In the 1930's, Mongolia served as a defensive buffer against an aggressive and powerful Japan and provided defense in depth against possible attack. However, since the 1960's, when the Soviet Union emerged as a superpower, Mongolia has been a

base from which to threaten China. In accordance with what Owen Lattimore once called "the doctrine of irreversible minimum," the Soviet leadership considers its control over Mongolia permanent. Afghanistan seems likely to experience a similar fate.

There are a number of lessons to be learned from the most recent advance of Soviet power. First, the Kremlin has demonstrated its willingness to intervene militarily in the third world to keep a Communist regime in power. The Soviet Union has the military capability and political determination to project power in the pursuit of tangible political goals. (That Moscow has found the pacification of Afghanistan difficult and more costly than anticipated in no way changes the situation.) Soviet leaders are apparently willing to pay whatever price is necessary to transform Afghanistan into a subservient, pro-Soviet client state.

Second, instability attracts Soviet involvement. Moscow's "forward policy" in the Middle East has gravitated toward targets of opportunity. The Soviet takeover in Afghanistan is consistent with the opportunism that has characterized Soviet policy during the past generation. Armed with a growing military capability, Moscow is less constrained, less willing to resist temptation.

Third, Afghanistan marks a new stage in Moscow's imperial outreach, not because of the readiness to use Soviet military power outside of East Europe (since at various times the Soviet Union has deployed combat units in Egypt, Cuba and Ethiopia, and in Iraq, Syria and the Sudan) but because this is the first time that Soviet troops have been used in a third world setting to replace one domestic faction with another in order to consolidate ultimate Soviet control. This readiness to intervene in domestic struggles for power in third world countries under the fig leaf of "fraternal assistance" constitutes an immediate threat to Iran. Should the Iranian revolution continue to aggravate internal political divisions, a Soviet intervention in support of some leftist faction becomes increasingly probable.

Fourth, Soviet ambitions in the Middle East are not seriously constrained by Moscow's desire to improve relations with the United States. Time and again, Moscow has acted to advance its objectives in the area, regardless of the effects of its action on détente with Washington. Moscow has fueled Middle East arms races, opposed United States efforts to reduce the likelihood of another Arab-Israeli war, and encouraged anti-Western policies. Moscow is still interested in détente with the United States, especially as it relates to SALT, trade and the transfer of technology. But it is unwilling to moderate its quest for advantage in the Middle East.

Geostrategic considerations clearly dominate Soviet thinking. By controlling Afghanistan, Moscow acquires leverage for exploiting the endemic unrest and

incipient disintegration in neighboring Iran and Pakistan. A Soviet-controlled Afghanistan brings the Red Army within easy striking distance of the Arabian Sea and the Persian Gulf. No great effort would be required to detach a piece of Baluchi tribal territory from Iran or Pakistan (whichever country collapses or is subverted first) and to establish a "People's Republic of Baluchistan" that would be tied by treaty and a Soviet military presence to the Soviet Union. Whatever immediate and urgent considerations prompted the Soviet invasion of Afghanistan, they will, in time, be superseded by long-term considerations that will justify a continuing Soviet occupation. To believe that the ill-equipped Afghan guerrillas can defeat Soviet forces the way the North Vietnamese defeated the South Vietnamese and the Americans is romantic delusion—an exaggeration of the strength of the Afghan nationalists and a serious underestimation of Soviet ambition and determination.

# THE UNENDING SINO-SOVIET CONFLICT

(Continued from page 74)

strategic relationship with Moscow and that this might slow the development of Sino-American relations. But President Carter's sharp reaction to Afghanistan, coupled with earlier decisions favoring China in the areas of trade and technology transfer, all but destroyed this hope. Similarly, a combination of Soviet threats and inducements had little effect on Japanese foreign policy. In general, Soviet diplomacy has had only limited success in advancing Soviet objectives in East Asia over the past decade.

In these circumstances, Moscow's primary response has been to bolster Soviet military forces in the region. The combat readiness and equipment of the 45 Soviet divisions stationed along the Chinese border has been improved, and SS-20 medium-range missiles are deployed in the military districts facing China. A well-equipped Soviet combat division has been ensconced on one of the islands claimed by Japan as its Northern Territory, and the powerful Soviet Pacific Fleet has stepped up air and naval reconnaissance in Japanese air space and territorial waters. These activities threaten Chinese as well as Japanese security. Perhaps most significant, in Vietnam the Soviet Union has the use of air and naval bases from which, in time of war, Soviet submarines could sever the sea lines of communication between Europe, the Middle East and East Asia.

Against this background, China's successful test of the CSS-X-4 6,000-mile ICBM launch vehicle in mid-May does little if anything to counter Moscow's lopsided military advantage over Beijing. Soviet leaders are determined to retain this advantage, whatever the cost, to counter both Chinese force modernization

and increased Japanese defense spending, neither of which can show concrete results for at least several years. In sum, Chinese leaders have shown their political skill in forging new ties with Washington, Tokyo, and Western Europe; Soviet leaders less adept at diplomacy and doubly burdened by the Afghanistan albatross are relying on their military capabilities to maintain their strategic advantage over their Chinese adversaries.

#### CONCLUSION

A review of Sino-Soviet relations in their global context suggests that the prospects for rapprochement are bleaker now than they were a year ago. The mood in both Moscow and Beijing is one of unabashed truculence. Chinese leaders affirm that in the struggle against Soviet hegemonism neither hesitation nor compromises are permissible. They want nothing less than a complete Soviet withdrawal from Afghanistan and a complete Vietnamese pullout from Cambodia. In the best Maoist tradition, China's leaders look toward protracted armed struggle as a reliable means for achieving these objectives over the long term. They see as no less important a global anti-Soviet united front led by the industrial democracies whose assistance in the task of modernization is diligently courted. China's alignment with the Soviet Union's chief adversaries, confrontation with Moscow's ally in Vietnam, and general Chinese opposition to Soviet policies at every turn make the current Chinese leaders no less anathema to Moscow than was Mao Zedong himself.

The machinery for Sino-Soviet negotiations remains, but stands unused. Formulas for improving relations between the antagonists are not difficult to imagine, and there may be a minority on both sides who would like to test these formulas. But the times seem unpropitious. Each side prefers to wait until its rival stumbles or becomes exhausted with the pursuit of power. Meanwhile, Sino-Soviet competition metastasizes to new areas, and the possibility of serious conflict by error or design cannot be ignored.

#### SOVIET POLICY IN EAST EUROPE

(Continued from page 79)

and \$11.4 billion currently owed to the West for hard currency loans.

The total for all East European and Soviet debts to the United States and West Europe has increased approximately tenfold since 1971, with Poland leading all other bloc members. (See Table 3.) What this meant in effect was that for every dollar borrowed during 1979, the Warsaw regime paid out 85 cents to service its debt obligations and could not acquire any foreign capital.<sup>26</sup> Among the full members of CMEA, only the East Germans appear to be headed in the same general direction.

The situation is completely different with regard to intra-bloc trade, where relations with the Soviet Union are conducted on a barter basis via the so-called transferable ruble, which exists on paper only. More than half (51.9 percent) of all Soviet foreign trade during 1979, for example, involved other Communist-ruled states. Although the average increase in trade with East European states amounted to just under nine percent, trade with Yugoslavia grew by 17.9 and with Romania (in second place) by ten percent. (See Table 4.)

One of the basic economic problems in East Europe is a growing dependence on the U.S.S.R. for imports of fuel. So far, the Soviet Union has accommodated its client states. Oil and oil products, natural gas and electricity are all part of the energy transfer, which reportedly will be increased by some 20 percent during 1981-1985, over the next five-year plan. However, the export of oil and oil products as sources of energy will only increase by 8.2 percent during that period, over the current five-year period.<sup>27</sup> The difference can probably be compensated for by additional Soviet natural gas and electricity exports.

Soviet plans include 200 nuclear power stations (half of them 440 MW and the other half 1,000 MW each), with 150,000 MW total generating capacity and three-fourths of the plants to be constructed on Soviet territory during this decade. A multilateral cooperation agreement involves the production of equipment by all participating countries in East Europe.<sup>28</sup>

The Council for Mutual Economic Assistance (CMEA), through which all these bloc activities are channeled, held the 34th session of its council in Prague, June 17-19, 1980. The main topics on the agenda included the coordination of national economic plans during the next five-year period and stronger efforts to achieve economic integration. Representatives from Afghanistan, Angola, Ethiopia, Laos, Mozambique and South Yemen attended the session as observers.<sup>29</sup> The presence of delegations from these six countries may indicate that they will also be invited to membership in CMEA, following Cuba (1972) and Vietnam (1978).<sup>30</sup>

The Soviet-East European relationship probably will not change during the immediate future, although ferment in Yugoslavia could lead to Soviet intervention. Regarding a longer range perspective, increasing

demands for fuel and a growing foreign currency debt may bring some East European regimes to default unless Moscow assists them. Soviet assistance, in turn, would most assuredly result in a tightening of Soviet control.

#### SOVIET AGRICULTURE IN 1980

(Continued from page 91)

thought the links were not sufficiently socialist. There has been renewed interest in this managerial device in recent years.<sup>7</sup>

Collectivization was resisted when it was new, but for the current generation of farm people it is the only way of life they know. In an advanced industrial society, low productivity in agriculture offers advantages to the farm population because it forces the authorities to spend more on them. Unlike capitalist farmers who are serving society by means of their atomistic competition that leads to productivity increases, the Soviet farm population is ensconced in low productivity, which serves as their price support mechanism.

The low efficiency of the Soviet agricultural system is well illustrated by official statistics. Too well, perhaps: the official data do not show the many unauthorized reallocations. Occasionally, the press denounces particularly scandalous theft and graft. But there are no official statistics of such changes in resource use. Nor do official sources admit that the unauthorized use of goods may sometimes be more efficient than official plans. Officially, Soviet socialism functions as well as it does in spite of graft and black markets. In reality, the system may function better, thanks to these diversions onto the "capitalist road." For instance, Soviet agriculture may not in reality use up as much petroleum fuel as the statistics say; some of it no doubt is filched away to where it does more good.

Be that as it may and maintaining the face-value image we have of the system, it remains to discuss the argument (put forth by the system's apologists in this country and elsewhere) that the Soviet system has other objectives besides economic efficiency: welfare, equity and stability. Are these purposes being served? And are the results worth the price, from the vantage point of the system?

Welfare. In the short run for the farm population the answer may appear to be yes. In the cities, there is more unemployment than is officially acknowledged, but the collective farms maintain some semblance of employment and minimal support for everyone.

<sup>.26</sup>Central Intelligence Agency, op. cit., p. 10 (source in Table 3).

<sup>&</sup>lt;sup>27</sup>United Nations, *op. cit.* (Source in Table 5), pp. 101-102. <sup>28</sup> *Ibid.*, pp. 102-103.

<sup>&</sup>lt;sup>29</sup>Prague radio, June 17, 1980.

<sup>&</sup>lt;sup>30</sup>They also attended the session in Moscow during the previous year. Communiqué in *Pravda*, June 30, 1979.

<sup>&</sup>lt;sup>7</sup>See T. Orlova, "Model' rascheta mekhanizirovannogo zvena," in *Ekonomika sel' skogo khoziaistva*, 1977, vol. 11, pp. 68-71. Cf. Folke Dovring, "Soviet farm mechanization in perspective," in *Slavic Review*, vol. 25 (June, 1966), pp. 287-302.

Equity. Soviet income distribution is not well known, partly because the effects of graft and black markets are not in the picture. In the farm sector, there are considerable differences between the minority elite of mechanizers and the majority of "auxiliary hand labor," and between localities.

Stability. If appearances serve, the power structure of the Soviet Union is one of the most stable in the world. The farm sector shows few signs of wanting to rebel. Farmers have turned the tables economically and have the country at their mercy.

The overall penalty is not only a lower standard of living for the masses, but also less economic power for the system. The limit of economic power is visible in the need to import food. The Soviet Union does not seem to have the option enjoyed by England, Japan and others: to pay for food imports by exporting manufactures. Soviet manufactured goods are on the whole not very competitive on world markets, which may also be a result of Soviet socialism; the training of managerial talent was deflected into the tasks of plan fulfillment and staying out of trouble. Soviet exports, outside the Council for Mutual Economic Assistance (CMEA), are mainly raw materials—fuel and other minerals.

With the fuel situation also about to change for the worse in the Soviet Union, the need to limit imports is evident. Soviet food imports are no doubt carefully balanced with all these factors in mind. How the equation is to be solved in the long run is a matter for speculation, above all, how the system will tackle its internal inefficiences. How the equation comes out in the short run will depend on the harvest of 1980. According to recent news, fall-sown crops look good, but spring sowing was delayed by adverse weather and yields of the dominant spring crops cannot yet be anticipated.

#### THE SOVIET LEADERSHIP

(Continued from page 95)

posit, the United States can, if it chooses, catch up with the Soviets militarily by the mid-1980's, will this possibility encourage the Soviet leaders to act quickly and in a manner most advantageous to them during the next several years while the United States remains militarily inferior?

Finally, Brezhnev's successors must face rising consumer expectations, encouraged by continuous and substantial investment in the consumer goods' sector during the Brezhnev years.21 To cut back investment in this sector or in the closely related agricultural sector would be politically unwise and probably dangerous, although the availability of some goods (like automobiles for individual purchase) has been limited considerably during the past two years. Indeed, we cannot yet assess the impact of the sudden availability of consumer goods and edibles for the Summer Olympics on those who live in the four host cities involved in the games and, by word of mouth, on other citizens of the European Soviet Union. Muscovites have already expressed concern that the abundance of foodstuffs will surely result in severe shortages after the foreigners depart.

It is, of course, risky to try to relate what little we know of the political socialization process to the kinds of policy choices that the next generation of leaders may make. So much of the impact of that socialization process remains vague and unmeasurable.<sup>22</sup> Still, it is useful to offer some educated general hypotheses about their probable behavior.

First, because of the Brezhnev regime's reluctance to adopt major policy innovations quickly (especially in the domestic realm) and its propensity to embark incrementally on policy modifications, the next generation will probably want to introduce policy shifts without delay. Khrushchev and his supporters mounted a series of frontal attacks against the stagnation of the postwar Stalinist system, despite the bureaucratic immobility and opposition to change they faced. The slow moving Brezhnev system is likely to meet a similar fate, although the new leadership may well face even greater bureaucratic resistance. The new leaders are better trained technologically and administratively, \*\* less inclined to consider ideological considerations, more attuned to international issues and dilemmas and better able to negotiate with Westerners because they mingle more comfortably with them. Thus they will probably act boldly in making policy choices both at home and abroad. Although they understand that the sluggish economic system must import advanced technology to assist in modernization and advancement, they will probably not curtail what they consider to be advantageous foreign policy efforts (e.g., the invasion of Afghanistan to shore up a faltering pro-Soviet regime there) to avoid the displeasure of Western governments. They are less likely to be committed to détente. (It was Brezhnev who championed its virtues personally in the late 1960's and early 1970's, culminating in the 1972 Moscow Summit.) Indeed, the Afghan venture may well have convinced them that the trilateral (United States-West European-Japanese) alliance is

(Continued on page 112)

<sup>\*\*</sup>But, because of that training, more narrowly focused and less able to deal effectively with problems in areas outside their expertise.

<sup>&</sup>lt;sup>21</sup>Jane P. Shapiro, "The Soviet Consumer in the Brezhnev Era," *Current History*, vol. 75, no. 440 (October, 1978), especially p. 131.

<sup>&</sup>lt;sup>22</sup>A recent compilation of Western analysts' assessments of the next generation's possible policy choices is found in U.S. Senate, Committee on Foreign Relations, *Perceptions: Relations between the United States and the Soviet Union* (Washington, D.C.: GPO, 1978).

### THE MONTH IN REVIEW

A Current History chronology covering the most important events of August, 1980, to provide a day-by-day summary of world affairs.

#### INTERNATIONAL

#### Afghanistan Crisis

Aug. 3—It is reported from New Delhi that Soviet forces have taken control of the Ghazni military garrison south of Kabul. On July 24 Afghan Army troops mutinied when President Babrak Karmal attempted to purge the army leadership of officers loyal to the Khalq faction.

Aug. 11—Heavy fighting between Afghan Army forces and Afghan guerrillas is reported in Herat, 85 miles from the Iranian border.

Aug. 26—Afghan guerrillas close the main highway from Kabul to Pakistan.

#### Iran Crisis

Aug. 4—In London, about 70 Iranians are arrested during an anti-American demonstration at the U.S. embassy; they begin a hunger strike.

Aug. 5—All but 1 of the 172 Iranian men who were arrested during a July 27 demonstration in Washington, D.C., in support of Ayatollah Ruhollah Khomeini are released from detention; 20 Iranian women are also released.

Aug. 7—In Washington, D.C., 200 Iranians demonstrate peacefully in support of the Iranian government.

Aug. 8—In London, 3 of the detained Iranians are taken to the hospital at Brixton Prison because of their debilitated condition.

Aug. 14—In Teheran, envoys from 9 nations meet with Speaker of the Parliament Hashemi Rafsanjani and request the release of the U.S. hostages.

Aug. 17—In Teheran, embassy chiefs from the 9 Common Market countries ask Rafsanjani to release the hostages.

#### Middle East

Aug. 3—Egyptian President Anwar Sadat suspends talks with Israel and the U.S. on Palestinian autonomy.

Aug. 31—U.S. special envoy Sol M. Linowitz arrives in Jerusalem to try to restart the stalled Middle East negotiations.

#### **United Nations**

(See also Zimbabwe)

Aug. 9—For the 1st time in 14 months, U.N.-sponsored Cyprus peace talks between Greek and Turkish Cypriot negotiators are resumed.

Aug. 20—The Security Council votes 14 to 0, with the U.S. abstaining, to censure Israel for its "unbalanced and unrealistic" actions in claiming all of Jerusalem.

Aug. 25—At the opening of a special session on economic development, U.S. Secretary of State Edmund S. Muskie says that the oil-rich states bear "a unique responsibility" for the world's economic problems; he calls for stable oil prices.

Aug. 29—After 6 years of negotiations, the U.N. Law of the Seas Conference ends its session in Geneva with the expectation that a final session in March, 1981, will approve the final text of a treaty to regulate the use of the oceans and their underseas wealth.

#### **AFGHANISTAN**

(See Intl, Afghanistan Crisis; U.S.S.R.)

#### **ANGOLA**

Aug. 7—The government executes 16 Angolans convicted of political bombings.

Aug. 12—In Lobito, saboteurs destroy the national oil company's plant.

Aug. 24—In Luanda, 9 more anti-Communist guerrillas are executed by firing squad for taking part in bombing attacks.

#### **ARGENTINA**

Aug. 6—In Buenos Aires, President Jorge Rafael Videla says his country will provide food and financial aid to the new military government in Bolivia.

Aug. 20—In Brasilia, President Videla asks Brazilian leaders to join his country in a "crusade" against subversion (left-wing terrorism) in South America.

#### **BANGLADESH**

Aug. 29—France approves financial and technological aid to Bangladesh for the construction of a nuclear power plant.

#### **BELGIUM**

Aug. 5—Parliament establishes 2 regional assemblies based on languages (Dutch and French), and gives the regions some autonomy in decision making. The inflammatory issue of the status of Brussels, which is populated by French-speaking people but is surrounded by Flemish-speaking areas, will not be decided until 1982.

#### **BOLIVIA**

(See also Argentina; U.S., Foreign Policy)

Aug. 9—In La Paz, General Luis García Meza Tejada, the coup d'etat leader who took power on July 17, says Bolivia is prepared to "walk alone" if economic aid and diplomatic recognition are withheld.

Aug. 19—The military government begins a purge of leftwingers in labor unions and universities; union leaders are replaced by government representatives and the nation's 9 universities are closed indefinitely.

#### **CHINA**

(See also U.S., Politics)

Aug. 20—In Beijing, U.S. Republican vice presidential candidate George Bush arrives for a visit with Chinese leaders.

Aug. 21—In an unusual public statement, Foreign Minister Huang Hua tells Bush that Republican presidential candidate Ronald Reagan's position on Taiwan "would do harm to the political bases on which our relations have been built and to the interests of world peace."

Aug. 24—Minister of Petroleum Song Zhenming is accused of lying and covering up the investigation of the November 25, 1979, accident when an oil rig capsized in the Bohai Sea, killing 72 people.

Aug. 25—Zhenming is dismissed from his post and 3 other top oil industry supervisors are indicted on charges of criminal negligence in the Bohai Sea disaster.

Aug. 30—In Beijing, Deputy Prime Minister Ye Jianying addresses the opening of the 3d annual session of the fifth National People's Congress.

Aug. 31—At the National People's Congress, Finance Minister Wang Bingqian reveals plans to give regional governments considerably more responsibility for planning and implementing economic policy.

#### **CUBA**

Aug. 2—In Havana, Mexican President José López Portillo visits agricultural projects during his 4-day official visit.

Aug. 7—At the U.S. diplomatic mission building in Havana, 83 Cubans who took refuge there May 2 surrender to the Cuban government.

#### **CYPRUS**

(See Intl, U.N.)

#### EGYPT

(See Intl. Middle East)

#### **EL SALVADOR**

Aug. 13—A 3-day nationwide general strike begins; the strike is called by the anti-government Democratic Revolutionary Front.

Aug. 16—The 3-day strike ends; more than 129 people have been reported killed in fighting between leftists and government troops.

#### **FRANCE**

(See also Bangladesh)

Aug. 17—To protest proposed cuts in the size of fishing crews, French fishermen blockade ports from Cherbourg to Dunkirk on the Normandy side of the English Channel. Thousands of British tourists are stranded in France.

Aug. 18—The blockade is extended to ports along the Atlantic and Mediterranean coasts.

Aug 20—Prime Minister Raymond Barre orders the Navy to break the blockade of ports that handle oil tankers.

Aug. 21—Navy tugboats break the blockade at Fos-sur-Mer, near Le Havre, the nation's largest port.

Aug. 26—Minister of Transport Joël Le Theule offers concessions to the striking fishermen, but union leaders reject the measures because they do not provide "immediate new assistance."

Aug. 28—Following yesterday's intervention by the Navy, the striking fishermen ease their blockade. Passenger service between channel ports is restored.

#### **GREECE**

Aug. 20—Foreign Minister Constantine Mitsotakis reports that he has told U.S. Secretary of State Edmund S. Muskie that U.S. bases in Greece will be closed if Greece is not readmitted to NATO membership by the end of 1980; Greece withdrew from NATO in 1974 to protest Turkey's invasion of Cyprus, and Turkey is blocking Greece's readmission to NATO.

#### **HONDURAS**

Aug. 15—Interim President General Policarpo Paz Garcia names a civilian-dominated Cabinet; Foreign Minister Colonel César Elvir Sierra is the only military figure in the new Cabinet.

#### INDIA

Aug. 16—Fighting continues in Moradabad in Uttar Pradesh between Muslims and Hindus; in the last several days more than 100 people have been killed. Aug. 30—In New Delhi, Prime Minister Indira Gandhi denounces the U.S. for rescinding tariff protection on Indian manufactured goods imported by the U.S.

#### **IRAN**

(See also Intl, Iran Crisis)

Aug. 8—In Paris, former Prime Minister Shahpur Bakhtiar announces the formation of a national resistance movement to overthrow the Ayatollah Ruhollah Khomeini.

Aug. 9—Parliament, proposes Education Minister Mohammed Ali Rajai for Prime Minister; President Abolhassan Bani-Sadr's choice, Deputy Interior Minister Mostafa Mir-Salim, was vetoed by Parliament on July 28.

Aug. 11—Parliament approves Ali Rajai as Prime Minister. Aug. 15—Former Air Force chief Major General Said Mehdiyun and 14 others are executed by firing squad for their alleged involvement in a plot to overthrow the government.

Aug. 17—It is announced in London that the British embassy in Teheran will be closed; the British embassy has been the scene of large anti-British demonstrations.

Aug. 28—In London, Amnesty International asks Iran's leaders to stop political executions and imprisonments; Amnesty International claims that at least 1,000 people have been executed since the new government took power.

Aug. 29—In Mehabad in West Azerbaijan Province, heavy fighting breaks out between Kurds and government forces

Aug. 31—Prime Minister Mohammed Ali Rajai names 20 people to his Cabinet; President Bani-Sadr says he has not given his approval to all those named.

#### IRAQ

(See Syria; U.S., Foreign Policy)

#### **ISRAEL**

(See also Intl, Middle East, U.N.)

Aug. 8—In an unusual radio broadcast, the chief of Israeli Internal Security Service (who remains anonymous) confirms reports that he is resigning.

Aug. 19—By a 2-1 vote, the Israeli Supreme Court refuses to rescind a May 3 military order expelling two West Bank mayors and a Palestinian judge.

The Israeli air force attacks guerrilla camps and installations in southeastern Lebanon; the incursions are the most massive since March, 1978.

Aug. 21—In Jerusalem, Foreign Minister Yitzhak Shamir denounces the U.N. Security Council's resolution censuring Israel for formally annexing the eastern Arab sector of Jerusalem.

Aug. 24—In southern Lebanon, a Syrian MiG-21 is shot down by Israeli fighter planes.

The government approves construction plans for a \$680-million canal connecting the Mediterranean Sea with the Dead Sea. The canal will connect the Mediterranean from an area in the Gaza Strip to the Dead Sea near Masada; the water from the canal, dropping into the Dead Sea, will create enough power to generate 600 megawatts of energy.

Aug. 26—The Netherlands announces that it will remove its embassy from Jerusalem; in the last few weeks Venezuela, Uruguay, Chile and Ecuador also moved their embassies; only a few Latin American countries maintain embassies in Jerusalem.

Aug. 27—It is announced that the Cabinet has approved plans to build 6 Jewish settlements in the occupied West Bank.

#### **ITALY**

Aug. 2—In Bologna, a bomb blast in the Bologna railroad station kills 84 people and injures more than 200.

Aug. 6—In Nice, French police arrest Marco Affatigato in connection with the bomb blast in Bologna; Affatigato is suspected of being a right-wing terrorist, a member of the so-called black gangs that "promote" public panic.

#### **JAPAN**

Aug. 19—In a reversal of official position, Foreign Minister Masayoshi Ito says the 1947 constitution does not permit Japan to possess nuclear weapons.

Aug. 21—After a fire aboard a Soviet nuclear submarine in the East China Sea, the Maritime Safety Agency warns ships to avoid the area.

Aug. 24—Following Moscow's assurances that the disabled Soviet submarine does not carry nuclear weapons and that there is no danger of radiation leakage, the government permits the submarine to be towed through Japanese territorial waters north of Okinawa to Vladivostok.

#### **JORDAN**

Aug. 28—Kassem al-Rimawi resigns as Prime Minister; Mudar Badran (Prime Minister 9 months ago) succeeds al-Rimawi.

#### KOREA, SOUTH

(See also U.S., Foreign Policy)

Aug. 1—Opposition leader Kim Dae Jung and 23 supporters are arrested and charged with violating national security laws and plotting insurrection.

611 public school principals and teachers are dismissed in the government's ongoing "social purification"

Aug. 6—Martial law authorities announce that in the last 2 days, 16,599 "hooligans" have been arrested as "social evils."

Military leader General Chun Doo Hwan (Chon Too Hwan) is promoted to 4-star general.

Aug. 14—In reaction to U.S. official expressions of concernabout the trial of Kim Dae Jung, which opened today, head of the Korean Overseas Information Service Kim Su Dok warns of attempts "to manipulate the judicial process of a friendly country."

Aug. 16—President Choi Kyu Hah announces his resignation.

Aug. 20—The North Korean government postpones unification talks between the 2 countries because of the "abnormal" political situation.

Aug. 22—In anticipation of his appointment as President, General Chun Doo Hwan resigns from the military.

Aug. 25—The electoral college names Chun Doo Hwan as President; he is the only candidate on the ballot.

#### **LEBANON**

(See also Israel)

Aug. 28—In Beirut, the Lebanese Army arrests 3 men in connection with yesterday's attack on U.S. Ambassador John Gunther Dean; Dean was unharmed when men fired on his car with machine guns and rockets.

#### LIBYA

(See U.S., Legislation)

#### **MEXICO**

(See Cuba)

#### MOZAMBIQUE

(See Zimbabwe)

#### **NIGERIA**

Aug. 8—Because it claims the concerns have not met their production contracts, the government imposes penalties on the Gulf Oil Corporation, the Mobil Oil Corporation, and the Royal Dutch Shell Group amounting to 182.9 million barrels of crude oil (equivalent to about \$6 million).

#### **PHILIPPINES**

Aug. 29—Opposition politicians sign a Covenant of Freedom, warning the government that the country is on the brink of revolution; they call for free elections and an end to dictatorial rule.

#### **POLAND**

(See also U.S.S.R.)

- Aug. 12—In Warsaw, national secretary of the Communist party Jerry Lukaszewicz says the government will continue to restructure food prices by reducing subsidies and increasing retail costs; he says that salaries will also be increased.
- Aug. 13—In Gdansk, between 50,000 and 60,000 workers at the Lenin Shipyard go on strike and take over the shipyard.
- Aug. 15—Communist party leader Edward Gierek returns from a 2-week visit to the Soviet Union.
- Aug. 17—Striking workers in three northern cities form the Interfactory Strike Committee to represent workers in 21 major factories in the Baltic region.

Aug. 18—In a nationally televised speech, Gierek promises general pay increases but says the nation's "socialist system" cannot be changed.

Aug. 19—Despite Gierek's appeal to the workers to end their strike, workers continue to occupy factories in the north; 174 plants in the area of Gdansk, Gdynia and Sopot are closed.

Aug. 20—14 leaders of organizations supporting the striking workers are arrested.

Aug. 21—The government replaces its chief labor negotiator, Deputy Prime Minister Tadeusz Pyka, with First Deputy Prime Minister Mieczyslaw Jagielski; Jagielski is a member of the Politburo.

Aug. 22—Roman Catholic Bishop of Gdansk Lech Laczmarek warns of the possible danger of prolonged strikes but expresses the church's "understanding" of the strikers' position.

Aug. 23—In a major concession to the workers, the government agrees to negotiate directly with representatives of the Interfactory Strike Committee.

Aug. 24—Party leader Gierek announces the dismissal of Prime Minister Edward Babiuch and 3 other full members of the Politburo; Babiuch is replaced by Jozef Pinkowski.

Aug. 25—The government agrees to restore telephone service, cut off on August 14, between the Gdansk and Gdynia industrial regions and the rest of the country; in response workers vote to resume the negotiations with the government that were started on August 22.

Aug. 26—Workers' strikes spread to Lodz, Koszalin, Wrociaw, Rzeszow and Olsztyn in the east and south. More than 250,000 workers are on strike.

- Aug. 28—Miroslaw Wojciechowski, head of Interpress, the official information service, warns that the continuing strikes "can provoke an abnormal situation in our country."
  - In Gdansk, Lech Walesa, head of the Interfactory Strike Committee, asks workers in other sections of the country to remain on their jobs for several more days so that the committee and the government can try to resolve their differences.
- Aug. 29—Workers' strikes spread to copper mines in southern Poland and to steel mills in Warsaw.
- Aug. 30—A preliminary agreement is reached between the government and the Interfactory Strike Committee; the agreement permits workers to form independent, self-governing trade unions and grants them the right to strike
- Aug. 31—In Gdansk, strike leaders call an end to the 17-day strike in the Baltic Region. The signing of the agreement is broadcast over national television; in attendance are Deputy Prime Minister Mieczyslaw Jagielski and strike leader Lech Walesa.

#### **SOMALIA**

Aug. 22—In exchange for credits to buy U.S. arms, the Somali government agrees that it will not intervene again in support of ethnic Somali dissidents in the Ogaden; in addition, the U.S. is given access to military facilities in Somalia.

#### **SOUTH AFRICA**

- Aug. 1—In Johannesburg, a week-long strike by black municipal workers ends when their union leader is arrested and more than 1,000 black workers are dismissed from their jobs.
- Aug. 8—Prime Minister P. W. Botha withdraws his proposal for a representative council for blacks; Botha's plan drew the ire of black leaders.

#### SURINAME

- Aug. 13—In Paramaribo, Prime Minister Chin a Sen and military leaders overthrow the government of President Johan Ferrier.
- Aug. 18—Lieutenant Ivan Graanogst is appointed chairman of the National Military Council to replace Sergeant Chas Mijnals, who was arrested last week on charges of planning a Cuban-supported coup.

#### **SYRIA**

- Aug. 17—Hisham Jumbaz, military chief of the Muslim Brotherhood, an anti-government terrorist organization, is killed in a battle with Syrian forces.
- Aug. 22—The government deports Iraqi Ambassador Ismail Hammoudi Hussein and his staff in retaliation for the expulsion from Iraq on August 18 of Syrian Ambassador Mohammed Muwaffek Jneid.

#### **TUNISIA**

Aug. 2—Former Foreign Minister Mohammed Masmoudi is released from house arrest, where he has been held since 1978.

#### TURKEY

(See also Greece)

- Aug. 8—A military court sentences 22 right-wing terrorists to death for the murder of more than 100 people in Karamanmaras in 1978.
- Aug. 22—In Ankara, leader of a 30,000-member union Sadik Ozkan is shot and killed by terrorists.

#### U.S.S.R.

(See also Japan; U.S., Military)

- Aug. 7—An article in *Pravda*, the Communist party newspaper, says U.S. President Jimmy Carter's new nuclear policy as revealed in the U.S. press represents a "loss of common sense."
- Aug. 13—The Soviet government is preparing to accept 1,500 Afghan students in Soviet universities; Soviet instructors are being sent to Kabul to augment the staff at Kabul University.
- Aug. 14—In London, *Jane's Fighting Ships* reports that the Soviets are building a 75,000-ton nuclear-powered aircraft carrier.
- Aug. 27—In its most detailed response to the workers' strike in Poland, Tass, the government press agency, says that "anti-socialist elements" are trying to push Poland "off the socialist road."
- Aug. 29—In a nationwide televised address, Soviet President Leonid I. Brezhnev urges the U.S. to join the U.S.S.R. to limit the number of medium-range missiles in Europe; he suggests Alma Ata in Kazakhstan province as the site for proposed talks on world peace.

#### UNITED KINGDOM

#### **Great Britain**

(See Intl, Iran Crisis; Iran)

#### **UNITED STATES**

#### Administration

- Aug. 5—Secretary of Education Shirley M. Hufstedler issues new regulations on bilingual education: school districts are to teach students "English as quickly as possible... and are not [to permit them] to fall behind their English-speaking classmates while they are learning English."
- Aug. 13—By a 5-2 vote, the Interstate Commerce Commission orders railroads to conform to the Railroad Revitalization and Regulatory Reform Act of 1976, which requires them to meet competitive standards.
- Aug. 14—The Nuclear Regulatory Commission reports that there will be no hazard in the decontamination of the damaged nuclear reactor at Three Mile Island.
- Aug. 19—The Food and Drug Administration and the Department of Agriculture say that "there is no basis [for the initiation of] any action to remove nitrite from foods at this time."
- Aug. 22—Domestic affairs presidential adviser Stuart E. Eizenstat meets with New York Governor Hugh Carey to discuss federal grants of \$7.5 million and loans of \$7.5 million to enable residents of the contaminated Love Canal area of Niagara Falls to sell their homes to the state and purchase new homes elsewhere.
- Aug. 29—President Carter announces a 9.1 percent pay increase costing \$2.9 billion for some 1.4 million federal employees; the increase goes into effect October 1 unless Congress votes to repeal it.

#### **Cuban Refugees**

(See also Cuba)

- Aug. 13—Director of the Miami office of the State Department's Cuban-Haitian Task Force James Gigante announces plans to spend \$16.8 million on health and education for the refugees in south Florida; an immediate payment of \$150,000 will be made to the Dade County Community Action Agency to aid in resettling the Haitians.
- Aug. 16-An Eastern Airlines jet carrying 52 persons is

hijacked to Havana by 6 presumed Cuban refugees; this is the 4th plane to be hijacked to Havana this week by disillusioned Cuban refugees.

Aug. 28—In the 4th disruption this month, Cuban refugees in a maximum security area of Fort Indiantown Gap, Pennsylvania, take control of their barracks; 5 persons are injured.

#### **Economy**

Aug. 1—The Labor Department reports that the nation's unemployment rate was 7.8 percent in July, up only 0.1 percent from June.

Aug. 15—The Labor Department reports that its producer price index rose 1.7 percent in July.

Aug. 22—The Labor Department reports that its consumer price index did not rise in July; this was the first time in 13 years that there was no monthly increase in the inflation rate.

Aug. 26—6 major banks raise their prime rates to 11.5 percent.

Aug. 27—The Commerce Department reports that the U.S. balance of trade deficit for July was \$1.85 billion, the smallest in more than a year.

Aug. 28—President Jimmy Carter outlines his "revitalization" program for the U.S. economy; he calls for measures to aid recovery "without reigniting inflation." He asks Congress to act promptly to extend unemployment benefits to a maximum of 52 weeks and to provide some \$1 billion in extra revenue for cities. The President also establishes a 15-member Economic Revitalization Board representing business, labor and the public to advise the President. He also proposes new tax incentives for industry and an approximate income tax offset to mitigate the effects of the rise in Social Security taxes that will take effect January 1, 1981.

Aug. 29—The Commerce Department reports that its index of leading economic indicators rose a record 4.6 percent in July.

#### **Foreign Policy**

(See also Intl, Iran Crisis; Greece; Lebanon; Somalia; U.S., Military)

Aug. 8—Secretary of State Edmund S. Muskie calls for the ratification of the Strategic Arms Limitation Treaty (SALT II).

Aug. 29—The State Department says that the U.S. will not sell 5 Boeing airliners to Iraq Airlines because of Iraq's apparent support of terrorist acts around the world.

Speaking of the new South Korean government, Assistant Secretary of State for East Asian and Pacific Affairs Richard C. Holbrooke says that "one of our largest concerns has been the distortion of American policy positions by the Korean leadership."

#### Labor and Industry

Aug. 14—The American Petroleum Institute reports that U.S. oil production rose slightly in the 1st 7 months of 1980 as compared with 1979, from 8.5 million barrels a day to 8.7 million barrels a day of crude oil; most of the increase is attributable to oil from Alaska's North Slope.

The Labor Department reports that some 310,000 jobless automobile workers are eligible for special payments for unemployment caused by sales of imported care.

Aug. 20—President of the AFL-CIO Lane Kirkland says that the union's executive council is supporting President Jimmy Carter's reelection campaign.

Joyce Miller, president of the Coalition of Labor

Union Women, becomes the 1st woman member of the AFL-CIO Executive Council.

#### Legislation

Aug. 4—A special Senate subcommittee opens hearings about the activities of Billy Carter, his dealings with Libya and White House efforts to use him to make contacts with Libyan officials.

The White House makes public a 13,000-word report that details the President's connections with the Billy Carter controversy. The President says, "the facts are available for the committee, Congress and the public to examine. They will show that neither I nor any members of my administration violated any law or committed any impropriety."

Aug. 26—The Senate votes 85 to 0 and the House votes 401 to 5 to override President Carter's veto of the Veterans Administration pay rise bill; the President vetoed the bill August 22, saying that salary increases of up to \$20,000 a year for VA doctors would be too costly. This is the 2d time in 3 months that Congress has overridden a veto.

The Senate votes 78 to 2 and the House votes 360 to 49 to approve a \$52.8-billion weapons procurement, research and development bill for fiscal 1981; the bill includes an 11.7 percent pay increase for active duty personnel.

#### Military

Aug. 5—According to official sources, last week President Jimmy Carter signed Presidential Directive 59, which envisions a new strategy for nuclear war; the U.S. will have the capability of attacking military targets in the Soviet Union instead of threatening Soviet cities and industries.

Aug. 11—As part of the new nuclear strategy, President Carter is said to have signed Presidential Directive 58, providing more and better protection for U.S. civilian and military leaders, the rapid evacuation of key personnel from Washington, D.C., and the manning of emergency command posts in the event of nuclear war.

Deputy Under Secretary of Defense for Policy Walter Slocombe flies to Maine to brief Secretary of State Edmund S. Muskie on the new nuclear strategy; Muskie complained that he first heard of the new policy when he read about it in the newspapers.

Aug. 20—Department of Defense officials disclose that the U.S. has developed and flown a new type of aircraft that is almost completely invisible to Soviet radar; the plane was developed by the Lockheed Aircraft Corporation.

Aug. 22—Calling the U.S. development of aircraft invisible to Soviet radar a "major technological advance," Defense Secretary Harold Brown says that this "alters the military balance" in favor of the U.S.

Aug. 23—A 78-page report prepared for the Defense Department by a panel of 6 high-ranking military officers says that the abortive April raid to release the U.S. hostages in Iran might have succeeded but that the raid was flawed by bad luck, equipment failures and command failures. The report failed to find "a shred of evidence of culpable neglect or incompetence."

#### **Political Scandal**

Aug. 30—In U.S. District Court in Brooklyn, Camden Mayor Angelo Errichetti, Philadelphian City Councilman Louis Johanson, Representative Michael Meyers (D., Pa.) and Philadelphia lawyer Howard Criden are convicted on bribery and conspiracy charges as a result of the Abscam investigations.

#### **Politics**

(See also China)

Aug. 11—The Democratic National Convention opens in New York City.

The delegates vote 1,936 to 1,390 to approve a rule that requires the delegates to vote for the candidate to whom they were pledged in primaries and caucuses.

Senator Edward Kennedy (D., Mass.) announces that his name will not be placed in nomination as a presidential candidate.

Aug. 12—Senator Edward Kennedy addresses the convention and calls for party unity for victory in November.

Aug. 13—The delegates to the Democratic National Convention nominate President Jimmy Carter as the Democratic candidate for President.

Aug. 14—Walter Mondale is selected as the vice presidential candidate.

Aug. 25—John B. Anderson names former Democratic Governor of Wisconsin Patrick J. Lucey as his vice presidential candidate.

Ronald Reagan issues a "definitive" revised policy statement on Taiwan and China in which he accepts the current unofficial U.S.-Taiwan relationship.

#### **VANUATU (New Hebrides)**

Aug. 31—Following weeks of disorder on Espiritu Santo, government officials arrest rebel leader Jimmy Stevens.

#### **VATICAN**

Aug. 20—In Washington, D.C., the U.S. National Conference of Catholic Bishops announces Vatican approval of a plan in which married Anglican priests in the U.S. will be permitted to become Roman Catholic priests.

#### **VENEZUELA**

Aug. 22—Representatives from Venezuela and Panama agree to build a \$96-million suspension bridge over the Panama Canal, linking Panama City with the Pan-American Highway.

#### ZAIRE

Aug. 27—Foreign Minister Nguza Karl-i-Bond succeeds Bo-Boliko Lokonga as Prime Minister; Lokonga becomes the executive secretary of the Popular Movement of the Revolution, the country's only political party.

#### ZIMBABWE

Aug. 2—Mozambican President Samora M. Machel arrives in Salisbury; this is the 1st visit by a head of state to the newly independent nation.

Aug. 6—Minister of Manpower Edgar Tekere is arrested and charged with the August 4 murder of a white farmer, Gerald William Adams.

Aug. 20—Prime Minister Robert Mugabe leaves Salisbury for a week-long visit to the U.S.

Aug. 25—In the U.N., Mugabe is greeted by the General Assembly as his nation becomes the U.N.'s 153d member

Aug. 27—In Washington, D.C., Mugabe meets with U.S. President Jimmy Carter.

#### THE SOVIET LEADERSHIP

(Continued from page 106)

in considerable disarray, fanned by the American failure to remain its undisputed leader.

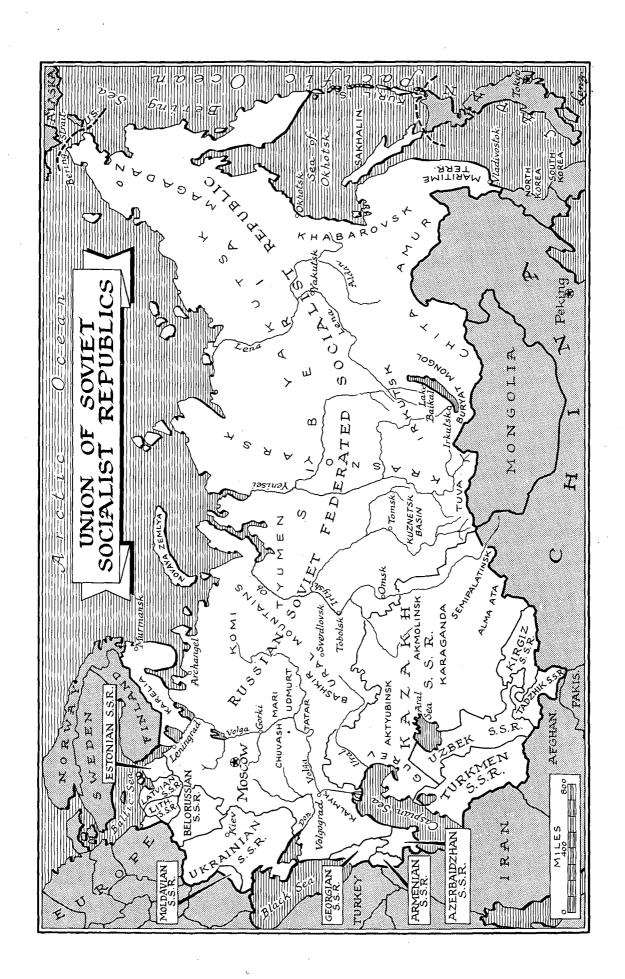
The American goods that the Soviets were denied

as a result of the post-Afghan embargo have been secured elsewhere with little difficulty and (with the possible exception of the publicity regarding the refusal of the United States, Canada, the United Kingdom, and other countries to participate in the Summer Olympics) Moscow has not suffered as a result of its most serious recent foreign venture. As the Soviet Union enters a half decade of probable military superiority, Soviet leaders may well undertake other foreign adventures, particularly in areas adjacent to their territory.

Yet if history is any guide, when the post-Brezhnev succession occurs (through Brezhnev's death or physical incapacitation) the Soviet leadership is likely to focus on internal affairs and limit its foreign efforts, especially those that are likely to antagonize the United States. If, as most Western analysts insist, there is a two-stage succession, with a member (currently the candidate is Andrei P. Kirilenko, age 74) of the Brezhnev generation assuming the top position for an interim period, the succession will not be completed for several years, during which period a number of aging leaders will probably be replaced by younger men. During the Khrushchev succession, 1953-1957, although attention was focused on domestic events, foreign policy efforts were designed to reduce, not exacerbate, international tensions. At that time, efforts were made to improve relations with East Europe, especially with Yugoslavia, with the West (culminating in the Geneva Summit Meeting and the signing of the Austrian State Treaty in 1955), and with newly independent third world countries. During the Brezhnev succession, 1964-1968, Khrushchev's foreign policy was largely continued (albeit through regularized channels) and included a notable improvement of relations with the Federal Republic of Germany, the extension of Soviet influence in the Middle East and in Southeast Asia, and the improvement of relations with the West, largely to encourage Western capital investment in Soviet resource development and in support of technological transfer agreements.23

If the post-Brezhnev succession begins within the next year or two, the attention of the leadership may well concentrate on domestic affairs, as would-be successors jockey for position. Policies that seem most likely to gain support among the party's leaders, with a dose of popular support as well, will be promoted most vigorously. Only after Brezhnev's successor has consolidated his power will he embark on substantial and far-reaching policy innovations.

<sup>&</sup>lt;sup>23</sup>For a recent details examination of the stages in both the Khrushchev and Brezhnev succession struggles (likely to provoke considerable controversy), see George M. Breslauer, "Political Succession and the Soviet Policy Agenda," Problems of Communism, vol. 29, no. 3 (May-June, 1980), pp. 34-52.



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